# FINANCIAL TIMES

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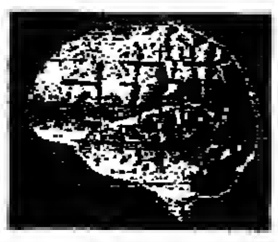

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World Business Newspaper http://www.FT.com TUESDAY MARCH 18 1997


## Yen's weakness boosts Japan's trade surplus

Japan's trada surplus rose in February for the first time in 27 months on an annual basis, reflecting the weaker yen and raising fears of revived friction with trading partners. The surplus with the US, its largest trading partner, was 12.3 per cent above last February's. The surplus with the European Union rose by 3.2 per cent. Page 20

## Horseracing probe shakes Hong Kong

A widening probe into fixed horse races is emerging as the biggest such scandal in racing-mad Hong Kong in more than 10 years. The Independent Commission Against Corruption has made 37 arrests, including five jockeys, two trainers and three Jockey Club staff since agents swooped on Sunday. Page 20

**ADT being sold for $4bn:** Michael Ashcroft, British-born chairman of ADT, capped an extraordinary year with a $4bn agreement to sell his Bermuda-based home security company to Tyco International of the US. Last year a planned all-stock sale of ADT to Republic Industries collapsed after Republic's shares tumbled. Page 21

**Lonrho,** the troubled international trading conglomerate, suffered an 8 per cent slide in its share price after warning that profits during the first half were likely to be a third lower than during the same months of 1996. Page 12

**Argos,** the normally conservative UK catalogue retailer, said it was prepared to spend up to £1bn on acquisitions and appointed a full-time director to lead the hunt for opportunities. Mike Smith, chief executive, said any acquisition was likely to be in the UK.

**Latin America set for take-off:** Enrique Iglesias, president of the Inter-American Development Bank, said most of Latin America was poised for growth that would double the average annual 3 per cent of the early 1990s. Page 5

**Ford halts assembly line:** The Ford plant on Chicago's south side will close temporarily this week because of a drop in demand for its best-selling Taurus car. The move affects 2,500 hourly workers, who will get 95 per cent of normal pay during the halt – the first since 1992.

**Emu infighting:** German foreign minister Klaus Kinkel, in a letter to the Financial Times, accuses Gerhard Schröder, prime minister of Lower Saxony, of "an irresponsible attempt to frighten the people of Germany" by saying in yesterday's FT that the Bonn government was using "creative accounting" to qualify to take part in the proposed single European currency. Page 18; German flexibility, Page 20

**Mobile phone tie-up:** Japanese cellular telephone companies affiliated with DDI, a long-distance telecommunications operator, and IDO, a cellular phone operator affiliated with Toyota, are considering a tie-up to build their next generation digital communications services together. Page 21

**Netanyahu survives vote:** Israeli prime minister Benjamin Netanyahu survived a no-confidence vote, by 54-46, as members of his governing coalition rallied behind him in preparation for the building of a new Jewish settlement in east Jerusalem. Page 8

**Foe tells Berisha to step aside:** Fatos Nano, Albania's Socialist former prima minister, made his first public statement since his release from prison, calling on President Sali Berisha to "step aside" before elections. Page 2

**Bulgaria to get IMF aid:** A mission from the International Monetary Fund agreed to support Bulgaria's recovery from tha brink of financial collapse with a $658m aid package. Page 2

**Diggers decline:** Sales of mini-excavators, the "poor man's" construction machine, which have seen enormous growth since 1990, experienced a rare sales dip of 5 per cent in western Europe last year. Page 4

**Champagne bubbles back:** The UK has rediscovered its taste for champagne, importing more than 20m bottles last year, a volume not seen since the 1980s. The 18.4 per cent increase on 1995, compared to a worldwide rise of 2.6 per cent, re-established the UK as the number one champagne buyer ahead of Germany.

**FT.com:** the FT web site provides online news, comment and analysis at http://www.FT.com

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| **New York: lunchtime** | | |
| Dow Jones Ind Av | 6,862.20 | (-73.26) |
| NASDAQ Composite | 1,266.52 | (-26.45) |
| **Europe and Far East** | | |
| CAC40 | 2,588.38 | (-57.24) |
| DAX | 3,350.99 | (-8.30) |
| FTSE 100 | 4,373.3 | (-51.0) |
| Nikkei | 18,053.50 | (+129.86) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5⅜% |
| 3-mth Treas Bills: Yld | 5.256% |
| Long Bond | 95½ |
| Yield | 6.972% |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 6⅜% | (6⅜%) |
| UK: 10 yr Gilt | 100⅞ | (101⅜) |
| France: 10 yr OAT | 105.71 | (107.02) |
| Germany: 10 yr Bund | 100.91 | (102.08) |
| Japan: 10 yr JGB | 105.741 | (nc) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent Dated | $19.015 | (19.35) |

**GOLD**

| | | |
|---|---|---|
| **New York: Comex** | | |
| (Mar) $347.9 | | (352.6) |
| **London:** | | |
| close $349.35 | | (352.95) |

**DOLLAR**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| £ | 1.589 | |
| DM | 1.6896 | |
| FFr | 5.7005 | |
| SFr | 1.4585 | |
| Y | 123.635 | |
| **London:** | | |
| £ | 1.5873 | (1.6009) |
| DM | 1.6901 | (1.6993) |
| FFr | 5.701 | (5.7344) |
| SFr | 1.4583 | (1.4615) |
| Y | 123.685 | (123.385) |
| Tokyo close: | Y 123.80 | |

**STERLING**

| | | |
|---|---|---|
| DM | 2.6826 | (2.7203) |

9 770174 736128



# Germany seeks flexible debt criteria for Emu

## Waigel pledges to keep within budget deficit target

By Lionel Barber and Wolfgang Münchau in Brussels and Samer Iskandar in London

Germany yesterday signalled that it would seek a flexible interpretation of the Maastricht target for debt to enable its participation in economic and monetary union.

Mr Theo Waigal, German financa minister, blamad "exceptional circumstances", notably the cost of German unification and railway privatisation, for a rise in public sector debt this year.

Under the Maastricht treaty, countries can qualify for Emu if they show that their stock of debt is below 60 per cent of gross domestic product or falling at a satisfactory rate. Under Germany's Emu plan, total debt – already above 60 per cent of GDP – is forecast to reach 61.5 per cent of GDP this year.

Mr Waigel's remarks, made at a meeting of EU finance ministers, was the first glimpse of flexibility in Germany's interpretation of the Maastricht criteria.

But he stuck doggedly to the Emu public sector deficit target of 3 per cent of GDP. "I alweys said that three means three. I never talked about 60."

The finance ministers welcomed the latest efforts by France and Germany to meet the Maastricht criteria in 1997, including the crucial deficit target.

Earlier, Italian and Spanish bonds fell sharply on renewed fears thet economic and monetary union might be delayed after Mr Waigel restated in a German newspaper interview his position that the Maastricht criteria would take precedence over the timetable for Emu, due to be launched on January 1, 1999.

Finance ministers seized the chance yesterday to reaffirm the Emu timetable after scrutinising French and German plans to comply with the Maastricht targets in 1997.

EU leaders are due to select Emu participants in the spring of 1998 based on this year's economic data and on whether countries' performance is sustainable.

Peter Norman in Bonn writes: As the ministers met in Brussels, German opposition politicians expressed doubts if Germany could qualify for Emu. Mr Joachim Poss, finance policy spokesman of the Social Democrat party in the Bundestag, said Mr Waigel was caught in a "trap".

■ Mr Gerhard Schröder, prime minister of Lower Saxony, has made "an irresponsible attempt to frighten the people of Germany," Mr Klaus Kinkel, Germany's foreign minister, writes in a letter to the Financial Times.

He was responding to charges which were made by Mr Schröder in yesterday's FT that the Bonn government was using "creative accounting" to qualify for the proposed single currency.


Court could block participation, Page 3; Letters, Page 18


# Russian reformers in control

## Yeltsin appoints 'young, fresh team' to push ahead with economic change

By John Thornhill in Moscow

Radical reformers last night took a dominant position in Russia's new cabinet, as a clutch of liberal ministers were promoted to more senior positions and Mr Anatoly Chubais, the first deputy prime minister, assumed personal control of the finance ministry.

Mr Boris Yeltsin, Russia's president, also persuaded Mr Boris Nemtsov, the reformist governor of Nizhny Novgorod, to join the government as first deputy prime minister in charge of social welfare reform and regulation of tha country's natural monopolies.

The surprise promotion for Mr Nemtsov, 37, will heighten speculation that he could emarge as Mr Yeltsin's annointed successor. One of the few reformers to enjoy political popularity, he had previously turned down several offers to join the government.

Mr Yeltsin said the two ministers should work with Mr Victor Chernomyrdin, prime minister, to create a "young, fresh team with new thoughts and new brains. I will support them very decisively and firmly," Mr Yeltsin said.

Mr Nemtsov suggested Mr Yeltsin was now fully committed to a long struggle to complete economic reforms.

Mr Chubais, who has been fighting to ensure there is a strong like-minded reformist team in the government, has replaced Mr Alexander Livshits as finance minister and appears determined to restore order to Russia'a rickety public finances.

Poor tax collection and loose public spending has resulted in millions of federal employees and pensioners remaining unpaid for months as trade union and opposition leaders intensify calls for mass protests on March 27.

Several ministers associated with Mr Chubais also won higher profile roles in yesterday's reshuffle. Mr Yakov Urinson, deputy economics minister, was promoted to run the ministry while Mr Alfred Kokh, head of the privatisation agency, was named as a deputy prime minister.

Mr Chernomyrdin said the government reshuffle would be completed by the end of the week. But there appear to be no seats in the new cabinet for several ministers closely linked to the prime minister, who as a former industrial boss, has favoured a more gradual approach to economic reform.

The two former first deputy prime ministers, Mr Vladimir Potanin and Mr Alexander Bolshakov, appear to have lost their jobs. Mr Victor Ilyushin, the deputy minister in charge of social policy, also appears unlikely to return to government.

Mr Yeltsin will now turn his attention to preparing for the Helsinki summit on Thursday with US president Bill Clinton. But the Russian president turned up the diplomatic heat yesterday by condemning Nato's expansion plans in forceful terms and criticising the US for doing too little to help post-communist Russia.

Boris Nemtsov, governor of the Nizhny Novgorod region, who has been appointed as a first deputy prime minister by President Boris Yeltsin in the Russian government shake-up — Reuter


Local hero wins place at top, Page 2; Russia's missed chance, Page 18


# Advanta warns on $20m loss for first quarter

By John Authers in New York

Advanta, the US's ninth largest credit card issuer, warned yesterday that it expects to report a loss of about $20m in the first quarter of 1997 – a move which triggered sharp falls in specialist credit card company stocks.

Advanta blamed increasing consumer bankruptcies and higher levels of credit card bad debt.

The announcement was damaging for confidence in a sector which has grown significantly in the last 10 years as newcomers have taken market share from traditional commercial banks.

Advanta has a reputation for being one of the most aggressive marketers of credit cards. It uses direct mailings and competes keenly on price.

Tha company said yesterday it expected a first quarter loss of about 44 cents a share. This compares with earnings of 91 cents a share for the same period a year ago. Advanta warned that profits for the year would be approximately $1.50 per share, less than half last year's $3.89.

Advanta's A shares dropped $9½ to 31¼ on the news. At


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Change on the cards, Page 25


# 'Confident' PM decides on May 1 for UK election

## Opinion polls still favour the opposition Labour party

By John Kampfner and David Wighton

Mr John Major, the British prime ministar, yesterday called a national election for May 1, and axpressed confidenca that his Conservative party could win in spite of persistent opinion poll indications that its support trails far behind that of the revitalised opposition Labour party.

"I believa this alection is winnable. Not only do I think it's winnable but I think thet we are going to win this election," Mr Major said on the steps of 10 Downing Street, his office-residence, after making the announcement.

He recalled with pride tha changes that have taken place in 18 years of Conservative rule, most of them under his predecessor, Lady Thatcher.

"There has been a revolution in choice, in opportunity and in living standards," he said. "At the general election, there's a choice between the party that has brought that revolution about and the two parties that have opposed almost every single aspect of those changes."

Exuding a confidence that has deserted many Conservatives recently, Mr Major anticipated the six-week campaign would be "a lot of fun".

However, Mr Major's hopes of a revival on day one were dealt a severe blow when the Sun, whose ridiculing of Labour in the 1992 election was seen as crucial, said this time it was endorsing Labour.

In a front-page editorial today, the newspaper described Mr Tony Blair, the Labour party leader, as a man of "vision, purpose and courage", contrasting him with "tired, divided and rudderless" Tories.

Mr Blair said: "The Conservatives say this is the best that Britain can be after 18 years. I say we can do better than this. We can have better schools, better hospitals and less violence on our streets."

Labour officials said Mr Blair would "fight the election on his terms", emphasising the "three Rs" – reminding voters of the Tory record, reassuring them how Labour has changed, and detailing the rewards to be reaped from a Labour government.

The most recent opinion poll, by NOP, reported that 52 per cent of respondents backed Labour, 27 per cent the Conservatives and 13 per cent the Liberal Democratic party.

The main issues in the campaign are likely to be Britain's relations with the European Union, which divides members of both main parties, and possible constitutional changes to reform the British parliament and devolve power to regional governments.

After the last election in April 1992, the Conservatives had a majority of 21 in the 651-seat House of Commons.


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# Russian mafia chief arrested in Italy

By Robert Graham in Rome

Tha boss of The Brigade of the Sun – one of the three main Russian mafia organisations operating in Moscow – was yesterday arrested along with 12 others while attending a meeting in the Italian Dolomites ski resort of Madonna di Campiglio.

Italian police said tha organisation was involved in large-scale recycling of illicit funds channelled out of Russia into legitimate Italian front businesses. This is the first time key figures of the burgeoning Russia mafia in Europe have been caught in a police net after much had already been discovered about their ruthless business methods.

Yesterday the assets of 11 Italian registered companies were seized, including Globus, an oil trading company. A big recycling ronte was being set up through the purchase of Russian fuel oil with proposed contracts worth $150m, police said.

In this connection police said Mr Alberto Grotti, a former deputy chairman from 1990-92 of Eni, the state-controlled oil group, would bave been arrested for being allegedly involved in the fuel oil trade but since last November he had been in prison serving a five-year sentence for corruption.

Special police units swooped at dawn on a hotel in the smart ski resort where the summit had been called under tha guise of celebrating the 46th birthday of Mr Esin Yuri Ivanovich, the Rome-based boss of the Brigade of the Sun. Seven lieutenants had been summoned from Moscow to discuss strategy with the six members of the organisation resident in Italy.

The gang had been under investigation in Italy since January 1995 following a tip-off from the FBI that Mr Esin had been forced to leave the US because of the law closing in on him and through fears of attack from vengeful Russian mafia enemies. Mr Esin was one of 12 leading mafia bosses who met in 1993 in Miami and decided to concentrate money laundering operations on Europe, Italian police said.

Mr Esin and his gang set themselves up in Italy without seeking the help of Italian organised crime. They sought to be as unobtrusive as possible, usually marrying Italians in convenience marriages to acquire domicile and passports.

The laundered money came from prostitution, drugs, racketeering, extortion and arms dealing in Russia.

The large flow of Russian tourists flying to Adriatic resorts were used as carriers, taking up to $30,000 at a time.

The Globus fuel oil trading company was set up as a means of recycling large sums of money through purchases of the commodity direct from the Russian producer which would have been then sold in the international market. Yesterday a senior police officer told journalists: "If the deal had gone ahead it would have caused serious damage to Agip [the operating arm of Eni]."

Other recycling operations involved companies buying Italian clothing, furniture and foodstuffs. Bank accounts with "several billions of lire" were also seized yesterday.

But police said the most important aspect of yesterday's operation was the way they had broken an organisation.

# Toyota's odd French connection

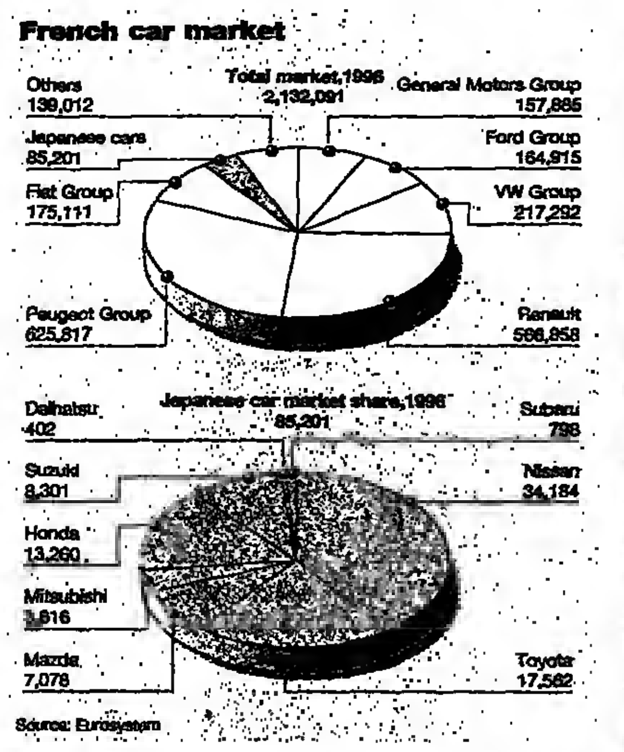
## While France is softening its hostility to foreign investment and products, the motor industry is in a league of its own, write John Griffiths and David Owen

If you were to ask just about any car industry analyst which European country he thought Toyota was abont to invest $1.5bn in, France would be just about the last on his list.

But judging from wbat European components suppliers have been told, Japan's biggest car company appears to be planning to build a plant in France that will turn out a car every two minutes by the year 2000.

Toyota is saying only that it will announce in May which of the sites under consideration it will choose, but Lens in northern France could well be it.

Yet Japan's eight car companies have not been able to raise their share of the French market above 4 per cent this decade, and analysts can think of few reasons wby Toyota might be able to raise its 0.83 per cent by much.




Source: Eurosystem

It is not known just how mucb the small market share of Japanese cars is a result of the import quota restraints, which have the effect of restricting imports from Japan itself to around 3 per cent of the total market.

However, the lack of progress made by Nissan and Honda in penetrating the French market from within Europe – from their bases in Britain – would suggest that the quota effect is small.

On this evidence, Toyota would have a difficult hearts and minds campaign to win in a market in which Peugeot and Renault account for nearly 60 per cent of all new car sales.

As it is, the French are notoriously prickly about foreign involvement in their domestic economy. From the celebrated incident in 1982 when the government insisted all video tape recorders had to be imported through a tiny customs post in west-central France, to the nationalistic outburst last year over plans to sell part of the Thomson electronics group to Daawoo of Korea, examples abound of cases in which foreign involvement in the French economy has not been welcomed.

Gradually, however, there seems to be an increasingly widespread recognition that, with unemployment at a postwar record of 12.7 per cent, prickliness is a luxury the country can no longer afford.

As Mr Jean-Claude Gaudin, planning minister, recently said: "We need these [foreign] investments. We need them to develop our rural zones, to convert both our traditional industrial territories and our defence sites which are being restructured.... Must we be reminded that they account for one job in four in our country?"

Nonetheless, if Toyota goes ahead it would be a landmark. No foreign carmakers build vehicles in France, although many parts companies have set up there.

Indeed, France was slow off the mark when Japanese investment first started flowing overseas in the 1970s. According to Insee, the government statistics institute, such investment only really became a factor in France in the mid-1980s. By the early 1990s, however, it had become the secood-largest recipient of Japanese investment in Europe after the UK.

Datar, the state regional development agency, recently predicted 1997 would be "a splendid year" for foreign investment in France. Mr Raymond-Max Aubert, a planning delegate, said be was harbouring "particular hopes for Japan". He said the "political context" was favourable and that several big Japanese investments were "in course or in preparation".

Last year, according to Datar, Asian investment accounted for 15 per cent of the nearly 23,000 jobs created or maintained in France as a result of foreign investment projects – up from 11 per cent in 1995.

But in some respects, cars are in a league of their own, and that league is dominated by Renault and Peugeot who are unlikely to take kindly to more car production capacity being created in France at a time of overcapacity throughout Europe estimated by analysts at around 20 per cent.

Matters are being made no easier by the severely depressed state into which the French new car market has relapsed after the ending of government incentives. New car registrations in France are expected to fall by 10 per cent this year and prices are under intense pressure. In the absence of an upturn which no industry analyst expects to materialise, both Renault and Peugeot may be forced to start looking for further capacity cuts.

Of course, Toyota would not expect the French market to absorb all production from a Lens facility. The 200,000 cars a year eventual output implied would be for sale throughout Europe. Of Nissan's current annual output of around 220,000 cars a year in Britain, for example, only around 30 per cent are sold in the UK itself.

Later this week Renault is expected to disclose 1996 losses of around FFr5bn ($870m), some FFr3bn at the operating level in the car division. Peugeot is still profitable, but the French market recession bas belped slasb profitability by more than half in the past year.

Both can only greet with dismay the prospect of a new competitor, with the world's most renowned and cost-effective "lean" prodnction system setting up shop on a greenfield site under the French industry's nose.

Snch is the protective nature of the French industry that a few months ago Mr Jacques Calvet, outgoing Peugeot chairman, warned that Peugeot would withdraw its components business from the French supplier Valeo should Valeo be taken over by US interests – sentiments echoed by Mr Louis Schweitzer, the Renault chairman.

A Japanese connection is hardly likely to be viewed more favourably. Toyota may have a tougher road ahead than even it might have bargained for.

CORRECTION

## New car sales

Yesterdey's table of west European new car registrations for January-February 1997 should have quoted a total sales figure of 2,178,100 units, rather than 1,039,300, which applied only to the month of February.

# Bulgaria to receive $658m from IMF

By John Hamilton in Sofia and Anthony Robinson in London

An international Monetary Fund mission yesterday agreed to support Bulgaria's recovery from the brink of financial collapse with a $658m financial assistance package.

The new loans to be disbursed over tbe next 12 months are expected to trigger $290m in agreed financing from the World Bank and further support from the European Union, whose external affairs commissioner, Mr Hans Van Den Broek, arrived in Sofia to discuss details yesterday.

The new IMF financing includes a $510m standby agreement to replace a $580m three-year facility cancelled in October, and a $148m loan to finance grain imports. Some $50m will be used to underpin the banking system. Mr George Soros, the Hungarian-born financier and philanthropist, bas also offered $25m to finance imports of badly needed pharmaceuticals.

To secure the new package the caretaker government of Mr Stefan Sofianski, Sofia's mayor, agreed to speed privatisation of state-owned enterprises and banks. Tha new financial package will support establishment of a currency board monetary system and strengthen the lev, whicb has recovered to around 1,600 to the dollar after falling to a low of 3,200 lev on February 7.

The currency board is expected to stabilise the economy by linking money supply to the level of bard currency reserves and preventing the government from printing money to finance budget deficits or enterprise losses. Ms Anne McGuirk, wbo has led the IMF's talks with the caretaker government, said the new system, in which the lev will be fixed to the dollar, would be introduced in June.

The $50m financing for the banking system "is aimed at making eure that all the banks are sound before moving to the currency board in June", Mrs McGuirk said. Fourteen banks were closed last year and Mr Plamon Iltchev, deputy governor of the National Bank of Bulgaria, said the central bank was now looking for foreign banks to strengthen governance of the state banks and prepare them for privatisation.

"The poeition of tbe remaining six large state banks has improved both in terms of liquidity and capital adequacy, but we are not out of the woods yet," he said. The first $180m tranche of the new standby loan will be available shortly after the expected approval by the IMF board in the second week of April.

# Berisha must step aside, says Socialist chief

By Guy Dinmore in Tirana

Mr Fatos Nano, Albania'e Socialist former prima minister, yesterday made his first public etatement since his release from prison, calling on President Sali Berisha to "step aside" ahead of parliamentary elections.

Several hundred supporters crowded outside the former Communist party's headquarters in Tirana to greet the former Marxist prime minister. Mr Nano was pardoned by the president at the weekend aftar serving nearly four years in prison for alleged corruption, which he denied.

The government freed Mr Nano, who was formerly a Marxist, last Thursday after chaos and looting gripped Tirana with the collapse of central authority. A mob overran the prison where he was being held and the justice minister said be could not guarantee his safety.

Mr Nano, a former economist widely seen as a successor to Mr Berisha, said be wanted the president to be removed by democratic means rather than by repeating the "tragic mistakes" of nearly five decades of communist dictatorship.

"I think he ehould etep aside, not down," Mr Nano told a news conference. "I'm inclined to shake hands with him as an Albanian citizen rather than as a president."

Mr Berisha has rejected resignation demands by leaders of an insurrection in the south triggered by the collapse of fraudulent pyramid investment schemes in which many Albanians lost years of savings.

Mr Nano said he saw no need for United Nations "blue belmets" to be sent to Albania. He threw his support behind the coalition government set up last week under the prime minister, Mr Bashkim Fino, who is also a Socialist. Mr Nano appealed to all Albanians to lay down weapons that were seized from abandoned military barracks or banded out to supporters of Mr Berisha's rightist Democratic party.

The government controls little of Albania outside the capital whicb is calm and under a night-time curfew. The army has all but dissolved and the southern rebels – some of them just criminal gangs – are armed with tanks and heavy weapons. An EU delegation arrived in Tirana yesterday to offer advice to the government on restoring order.


Fatos Nano: first public statement since release Reuter

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Nizhny Novgorod's acclaimed reformer faces an awesome national challenge

# Russian local hero wins place at the top

By John Thornhill in Moscow

Mr Boris Namtsov, the youthful governor of Nizhny Novgorod just appointed one of Russia's first depnty prime ministers, faces an awesome challenge in trying to rebuild the country's devastated social welfare system and get a grip on its mighty natural monopolies. But it is difficult to think of many other Russian politicians who would stand a better chance of succeeding.

In his industrial region, some 400km east of Moscow, the 37-year-old governor has pursued an economic reform programme with verve and determination. The international financial institutions have hailed Nizhny Novgorod as a model of how to implemant agricultural reform and privatisation.

Unlike many other Russian reformers, bowever, Mr Nemtsov has also shown a sure political touch, winning re-election in 1995 witb much popular acclaim.

Tha young governor has also made a splasb on the national stage by speaking out forcefully against the Chechen war and helping to turn the upper house of parliament into a more respected forum for political debate.

Mr Nemtsov will need all his energy and political guile to succeed in his appointed tasks and work with the other highly ambitious first deputy prime minister, Mr Anatoly Chubais. But he certainly appears well appraised of the scale of the challenges ahead.

"I perfectly well understand that my post is one for a kamikaze pilot," Mr Nemtsov said after his appointment. "But fortunately kamikaze pilots were not always killed instantly."

Having previously rejected an offer to join a government headed by Mr Victor Chernomyrdin, he said be had eventually submitted to President Boris Yeltsin'e direct pleas. "Had he not been president, even with his will and his persistent urging, I would never had agreed to work in the government with Chubais and Chernomyrdin," he said.

That suggests Mr Nemtsov has been given a strong hand to reform Russie's bousing market and social welfare system and to introduce stricter regulation of natural monopolies such as gas, electricity and the railway network.

He will require strong support from Mr Yeltsin if he is to push through the unpopular short-term measures in the housing market needed to bring longer-term gains. Cutting Russia's burdensome bousing subsidies will prove politically explosive.

In tackling the natural monopolies, Mr Nemtsov will also fly in the face of powerful corporate barons who can deploy enormous influence and wealth in defence of their interests.

Mr Nemtsov is risking a lot to jump from his secure job as a regional governor into the cauldron of Kremlin politics. But the potential rewards are also great. On a tour of the US in the early 1990s, Mr Yeltsin hinted that Mr Nemtsov could one day succeed him. If the new minister really can achieve his task of civilising Russia's wild capitalism and curbing the powers of its biggest corporations, then many other Russians may be persuaded to think the same.

EUROPEAN NEWS DIGEST

## German banks warn Brussels

Germany's private sector banks said yesterday they were losing patience with the European Commission for delaying an investigation into state-owned regional banks which received capital injections through public housing development funds.

Mr Karl-Heinz Wessel, president of the German banking association, said further delays were "no longer acceptable" and that be expected Brussels to open an inquiry soon. The association, whose members include Deutsche Bank, Dresdner Bank and Commerzbank, has also told the German government it is no longer ovailable for national talks to reach a compromise.

The dispute centres on the way Westdeutsche Landesbank and five smaller public sector banks received capital injections from local authority-owned housing organisations totalling DM11.4bn ($6.7bn). The banking association says the extra capital was made available at interest rates below capital market levels. WestLB and other state regional banks reject the charge, pointing out that the capital is available only for housing project loans. *Andrew Fisher, Bonn*

## EU stand-off on beef proposal

EU farm ministers were last nigbt digging in against European Commission plans to give the European Parliament greater say over agricultural policies. The ministers voiced unanimous opposition to a decision by Mr Franz Fischler, agriculture commissioner, to change the legal base for labelling beef and registering cattle.

Mr Jacques Santer, the Commission president, had promised proposals for farm legislation under Article 100(a) of the Rome treaty, which gives the parliament the right to share in the law-making, rather than under Article 43, under which parliament has only to be consulted.

The pledge was made in the wake of a damning report by MEPs on the Commission's handling of the "mad cow" disease crisis. The parliament has threatened to vote on a motion of censure against the Commission at the end of the year unless it overhauls the management of agricultural policy.

EU officials predicted a stand-off last night. The ministers will have to vote unanimously if they wish to overturn Mr Fischler's plan but they are divided among themselves over the proposal. *Caroline Southey, Brussels*

## Renault chief to meet unions

Mr Louis Schweitzer, Renault chairman, has agreed to discuss with Belgian unions tomorrow whether to keep open the carmakers' plant at Vilvoorde, a union spokesman said yesterday.

"It doesn't mean be said be has agreed [to keep the plant open]... but he wants to handle that issue," the union official said. "You should see this as a first contact. Don't think that an arrangement can be found on Wednesday."

Renault's decision to close its Belgian plant with the loss of 3,100 jobs prompted a march by more than 40,000 European workers in Brussels on Sunday. *Reuter, Brussels*

## Czechs reject Russian threats

Russian hints of economic reprisals if the Czech Republic joins have been described as "absolutely unacceptable" by Mr Josef Zieleniec, Prague's foreign minister. "We consider it frivolous to connect the expansion of the North Atlantic alliance with bilateral [Czech-Russian] relations and threaten economic sanctions in this context," he was quoted as saying.

Moscow's ambassador to Prague, Mr Nikolai Ryabov, warned the Czech Republic on Sunday that key bilateral agreements with Russia might be jeopardised if it joined Nato. Citing a possible damaging loss of arms markets for Moscow, the ambassador added: "Agreements fundamental to the Czech Republic, such as gas deliveries and nuclear energy, create a basis for future problems that our countries would face."

Mr Zieleniec responded that Mr Ryabov's statement made it clear why "it is important.... at the earliest, to become a member of the key western political, economic, and security organisations". *Reuter, Prague*

## Rbs500,000 banknote issued

Russia yesterday issued a Rbs500,000 ($88) banknote, its largest ever, because inflation has eroded smaller denominations, according to the Itar-Tass news agency. It will replace about half tha current Rbs100,000 notes in circulation and has a state-of-the art protection against counterfeiting, officials have said.

The decision to introduce the new notes is also linked to an increase in the average monthly salary, which has topped Rbs1.1m, central bank officials said. *AP, Moscow*

## Belarus bars Soros director

Belarusan authorities have barred the executive director of the Soros Foundation from re-entering the country and accused him of supporting tha opposition, state-run television said yesterday. The foundation, set up by the American billionaire Mr George Soros, has invested $13m in Belarus, including $6m last year mostly for education, ecological and medical programmes.

The television said that the director, Mr Peter Bern, a US citizen, was accused of interfering in Belarus'e domestic affairs and was barred "for activities which do not correspond to his status". It added that he was accused of taking part in opposition mass actions, and showed pictures, provided by the KGB security service, of him watching an opposition rally.

"The barring of the opposition's best friend will not mean any difficulties for the Soros Foundation's activities in Belarus," the television presenter said. *Reuter, Minsk*

ECONOMIC WATCH

## Poland's inflation rate falls


Polish inflation was lower than expected in February but the improved figures are unlikely to prompt the central bank to change interest rates, as it is now more concerned with credit growth and trade deficit, analysts said. Consumer prices rose 1.1 per cent in February against a 2.9 per cent rise in January, taking the year-on-year index down to 17.3 per cent from 18.1 per cent. The government target for 1997 in year-on-year terms is 13 per cent. "The February data are a nice surprise after the finance ministry said it expected February inflation at 1.6 per cent," said Mr Marek Zielinski, analyst at Bank Slaski. However, analysts said the inflation data, long one of the key factors in the central bank's interest rate decisions, had become secondary to credit and trade gap growth amid concern Poland's balance of payments deficit might slip out of control.

Analysts expect the trade gap to rise to $12bn in 1997 from $8.15bn in 1996 – a move which could erode Poland's currency reserves needed to pay its huge foreign debt. The reserves are now at $18bn. *Reuter, Warsaw*

Sales in western Europe show 5% fall-off after healthy climb since 1990

# Mini-excavators hit a downturn

**By Peter Marsh**

Sales of mini-excavators – the "poor man's" construction machine which has seen enormous growth over the past decade – experienced a rare sales dip in Europe last year.

According to Off-Highway Research, a London consultancy, sales in western Europe declined 5 per cent to 21,870 units from 23,142 in 1995. But the latest figure still represents a healthy climb from 15,997 sales in 1990.

The number of mini-excavators used in Europe has grown more than four times since 1989. Annual sales in Europe at distributor prices now account for some £400m ($636m), from virtually nothing in 1980.

Off-Highway Research expects European sales to decline a further 11 per cent to 19,380 systems this year, mainly because of soft demand in Germany, Europe's biggest market for construction equipment.

However, the total sold is expected to edge up again to more than 22,000 in the year 2000.

Europe is now almost self-sufficient in the manufacture of mini-excavators, with production slightly less than sales. European output fell 9 per cent last year to 19,220, from 21,100 the year before.

In 1985, fewer than 1,000 machines were made in Europe. The first mini-excavators in the region were imported in the mid-1970s from Japan, where the machines were invented.

The machines weigh a few tonnes and cost about £17,000. They are much lighter and cheaper than conventional excavators and other types of digging systems.

The mini-excavators are often hired out by the day by plant operators, with consumers using them for tasks such as installing an outdoor swimming pool. Another fast growing use is by contractors digging up roads, for instance for laying TV cables. Other applications for the equipment range from grave digging to gardening.

Four of the biggest seven European-based manufacturers of mini-excavators are owned at least partly by Japanese companies. At the end of last year, 115,100 mini-excavators were in use in western Europe, roughly one for every 3,000 people. In 1989, the continent had fewer than 25,000 machines.

Pel-Job, a French company now owned by Volvo of Sweden, was among the first European manufacturers in the early 1980s. It had previously imported mini-excavators from Takeuchi, a Japanese construction equipment producer.

According to Off-Highway Research, Pel-Job is the market leader in mini-excavators in Europe, with a share of 11 per cent, equating to sales of 2,335 machines last year.

This put it fractionally ahead of Melroe, part of the US Ingersoll-Rand machinery company. Kubota of Japan, J.C. Bamford Excavators of Britain and Yanmar of Japan are the next biggest sellers of the systems in Europe.

Kubota, which has a plant in Germany, is Europe's biggest manufacturer of the machines, turning out 3,140 systems last year after 3,310 the year before.

Pel-Job and JCB are in second and third place in production, followed by FAI of Italy, in which Japan's Komatsu has a minority stake, and Hitachi of Japan – which in Europe makes its mini-excavators in the Netherlands.

Neuson of Austria and Yanmar are the next biggest producers, according to the consultancy.

Last year, Germany was Europe's biggest maker of mini-excavators, producing 4,390 systems, mainly because of the activities of Kubota. The only other sizeable German-based maker is Schaeff, a privately owned German company.

In 1996, Britain was in second place producing mini-excavators in Europe, with an output of 4,050 machines. Besides JCB, the other main makers of these systems with UK plants are Atlas Weyhausen of Germany and Hanix, owned by Itochu, the Japanese trading company.

Both these groups make about 900 mini-excavators a year in the UK. Last year, Italy made 4,000 machines, just behind the UK; France made 3,900.

Western European production of mini-excavators


Source: Off-Highway Research

# ACP states 'need banana regime'

**By Caroline Southey in Brussels**

African, Caribbean and Pacific countries risk economic ruin if the European Union is forced to withdraw preferential access for their banana exports, the European Commission has warned.

The prediction is part of the Commission's latest offensive to defend the EU's controversial banana regime which gives ACP banana producers duty-free access. The arrangement has been challenged by the US in the World Trade Organisation.

The US challenge is a test case for the preferential trade terms the EU offers ACP countries under the Lomé convention. The WTO is due to issue an interim report on the case this week.

Although the Lomé special access arrangements were granted a waiver under the General Agreement on Tariffs and Trade (Gatt) in 1994, the US has maintained that the waiver was never intended to cover the EU banana regime.

The US says the regime is rigged to protect EU companies at the expense of Latin American groups. In addition, it says the arrangement does not benefit Lomé countries but has a negative impact on the economic and trade interests of Latin American producers. Washington cites as evidence the fact that the regulations have cut access of producers in Ecuador, Honduras, Guatemala and Mexico to the EU by 27 per cent.

In a blunt defence of the preferential terms, the Commission argues that banana export earnings are a "critical component" of the economies of the ACP countries.

"The destruction of the Caribbean banana industry would provoke severe economic hardship and political instability in a region already struggling against deprivation," says a Commission document distributed to EU member states.

The Commission points out that economies of scale and lower wage costs have driven down the cost of banana production in Latin American, making it impossible for smaller producers in the Caribbean to compete.

The Commission dismisses the contention that EU companies are benefiting at the expense of US and Latin American groups, pointing out that Del Monte and Dole, both US companies, have increased EU market share.

The paper also questions Washington's motive for launching the WTO challenge, as the US is not a big banana-producing country. The paper suggests the challenge is politically motivated pointing out that US interest was sparked by a complaint lodged by Chiquita Brands and the Hawaii Banana Industry Association.

# Japan angry over telecoms delay

**By Nancy Dunne in Washington**

Japan has reacted angrily to the decision by the US to deny Japanese telecoms companies licences to operate in the US.

Mr Tochi Minami, a senior adviser in the ministry of posts and telecommunications, yesterday said the "highly regrettable" decision would make it "difficult" for Japan to negotiate an extension of a bilateral 1995 telecoms procurement agreement with the US.

The pact expires in September. The US had hoped to begin talks on a renewal in May and planned to ask for improvements in the pact's transparency provisions. Washington says the agreement also needs updating in view of the planned restructuring of NTT, Japan's domestic telecoms company, under which NTT will become a holding company for three subsidiaries.

The licensing delay keeps NTT and KDD, Japan's international telecoms company, out of the US market just when telecoms companies in the US and Europe are forming alliances in preparation for the global telecoms pact which takes effect next January.

Earlier this month the administration wrote to the Federal Communications Commission asking for a delay in NTT's and KDD's applications. "Executive Branch agencies are conducting a review of the trade policy concerns raised by these applications," senior administration officials told the FCC. "Upon completion of the review we will provide further advice." The US clearly hoped delaying the licences would give it leverage in the procurement negotiations. Officials complain that NTT, 60 per cent state-owned, still refuses to follow international equipment procurement rules.

They also resent Japan's refusal to raise its 20 per cent ceiling on foreign ownership of NTT and KDD during pact negotiations last month.

Foreign companies, however, will be allowed to acquire up to 100 per cent interest in US carriers.

Japan maintains that since the US signed the global telecommunications agreement, it has no right to protest about the foreign-ownership cap, which was included in the agreement. The foreign ownership dispute is governmental, while the application by NTT and KDD for a US operating licence is strictly a corporate matter, the Japanese ministry says.

WORLD TRADE NEWS DIGEST

# US backs F-16 deal

The US has approved "almost all" Abu Dhabi's requirements for weaponry and technology on F-16 fighters, Mr Robert Lawrence, Lockheed Martin's president for the Middle East and Africa, said at Abu Dhabi's International Defence Exhibition (Idex) at the weekend. Over 700 exhibitors from 53 countries are taking part in the exhibition, which opened on Saturday and continues until March 20. Gulf states are expected to commit between $60bn and $80bn to capital defence spending in the next five years.

Lockheed is the favourite to win the lion's share of a supply and support contract worth $6bn-$8bn to equip the Abu Dhabi air force, on behalf of the United Arab Emirates (UAE), with up to 80 strike aircraft. Other contenders include British Aerospace's Tornadoes, F-15s made by McDonnell Douglas, now part of Boeing, and France's Dassault Aviation.

The Abu Dhabi government is also expected to fast patrol boats worth up to $1bn on behalf of the UAE navy. Bidders include the UK's Vosper Thorneycroft; France's DCNI, the international arm of Direction des Constructions Navales; the Netherlands' Koninklijke Schelde Groep; and Germany's Lurssen.

The Russians are also competing, along with two US companies, Newport News Shipbuilding, a subsidiary of Tenneco, and Halter Marine. *Robin Allen, Abu Dhabi*

## Manila settles US row

The Philippines has settled its disagreements with the US over quota limits on garment and textile exports.

The Philippine Garment and Textile Export Board said yesterday it would be able to increase exports by $60m under the new agreement. The US is the Philippines' dominant market, last year accounting for $1.67bn or 60 per cent of the country's total garment exports. The new agreement will date from January 1 and includes children's wear, among the most profitable areas.

Losses incurred because of the controversial rule which set quota curbs last year will be compensated for by the US. In return, the Philippines will withdraw its complaint of unfair trade practice against the US filed with the World Trade Organisation. *Justin Marozzi, Manila*

## Indian LNG tenders out

Some 17 companies have tendered to supply liquefied natural gas to India, Mr C. Prasad, chairman of the state-owned Gas Authority of India, said in Singapore yesterday. India is expected to need 150 cubic metres a day by the year 2000, while production is only likely to reach 68 cubic metres a day.

GAIL and its partners, Indian Oil Corporation and Oil and Natural Gas Corporation, plan to set up import terminals to handle 5m tonnes of LNG a year. Bidders include Total, Shell, Mobil and British Gas. A decision is likely in six months, when the government is expected to approve the project. *Reuter, Singapore*

## EU boosts Japan drive

The European Commission yesterday rolled over its efforts to help with EU companies' export promotions to Japan, pledging Ecu12m ($13.8m) to a four-year campaign covering 10 priority sectors. "The campaign is expected to help 1,000 European companies market their products and services in Japan over the next four years through trade missions, trade fairs and other events," the Commission said.

Target sectors were medical, material-handling, and marine equipment, waste management technologies, construction materials, packaging machinery, food, drink, information technology and outdoor life products and equipment. The Ecu8m previous programme ran for three years to 1996. *Reuter, Brussels*

■ John Laing International, the British construction company, and DM Consunji, the Philippines' largest construction group, were yesterday awarded the $230m contract to build four residential towers in Makati, the central business district of Manila.

The contract was awarded by Rockwell Land Corporation, the Philippine property developer. It represents the first stage in the $1bn development of Rockwell City and is the latest investment in the capital's booming property market. *Justin Marozzi, Manila*



## INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The jobless rate is shown as a percentage of the total labour force. Figures for composite leading indicator are end-period values.

**■ UNITED STATES**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1986 | 105.6 | 100.1 | 6.9 | 98.4 | 95.9 |
| 1987 | 108.5 | 105.8 | 6.1 | 104.2 | 96.7 |
| 1988 | 113.0 | 110.5 | 5.4 | 104.9 | 100.2 |
| 1989 | 115.5 | 112.5 | 5.2 | 97.9 | 98.9 |
| 1990 | 116.2 | 112.3 | 5.5 | 82.7 | 94.9 |
| 1991 | 113.3 | 110.1 | 6.9 | 91.7 | 99.5 |
| 1992 | 117.0 | 113.9 | 7.4 | 91.9 | 104.4 |
| 1993 | 122.2 | 117.5 | 6.8 | 87.7 | 109.5 |
| 1994 | 129.6 | 123.4 | 8.0 | 79.0 | 111.3 |
| 1995 | 133.6 | 127.4 | 5.5 | 79.3 | 111.3 |
| 1996 | 138.9 | 130.9 | 5.4 | 77.1 | 117.1 |
| 1st qtr.1996 | 4.0 | 1.2 | 5.6 | 78.1 | 113.3 |
| 2nd qtr.1996 | 4.2 | 2.9 | 5.4 | 76.3 | 115.4 |
| 3rd qtr.1996 | 3.6 | 3.0 | 5.2 | 76.3 | 116.5 |
| 4th qtr.1996 | 3.7 | 3.8 | 5.3 | 77.8 | 117.1 |
| March 1996 | 4.7 | 1.4 | 5.5 | 78.1 | 113.3 |
| April | 4.7 | 2.8 | 5.4 | 76.2 | 113.6 |
| May | 4.6 | 2.9 | 5.4 | 74.2 | 114.3 |
| June | 3.2 | 3.3 | 5.3 | 78.7 | 115.4 |
| July | 3.7 | 3.4 | 5.4 | 76.7 | 115.6 |
| August | 3.2 | 2.9 | 5.1 | 74.8 | 116.1 |
| September | 3.9 | 2.8 | 5.2 | 77.4 | 116.5 |
| October | 4.7 | 3.3 | 5.2 | 75.3 | 117.0 |
| November | 3.4 | 3.9 | 5.3 | 79.9 | 117.2 |
| December | 3.0 | 4.3 | 5.3 | 77.9 | 117.1 |
| January 1997 | | 4.7 | | 79.3 | |
| February | | | | | |

**■ JAPAN**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1986 | 106.5 | 99.7 | 2.6 | 94.3 | 83.1 |
| 1987 | 113.6 | 103.1 | 2.6 | 108.3 | 90.9 |
| 1988 | 122.6 | 113.1 | 2.5 | 135.9 | 96.5 |
| 1989 | 132.6 | 119.7 | 2.2 | 147.0 | 98.4 |
| 1990 | 141.6 | 124.5 | 2.1 | 149.6 | 95.1 |
| 1991 | 144.5 | 126.8 | 2.1 | 144.2 | 91.6 |
| 1992 | 139.9 | 119.0 | 2.1 | 124.2 | 90.9 |
| 1993 | 131.7 | 113.6 | 2.5 | 106.6 | 95.8 |
| 1994 | 129.5 | 114.5 | 2.9 | 102.2 | 103.6 |
| 1995 | 128.5 | 118.5 | 3.1 | 106.5 | 106.1 |
| 1996 | 132.8 | 121.6 | 3.3 | 120.0 | 109.7 |
| 1st qtr.1996 | 5.6 | 1.1 | 3.3 | 110.7 | 108.2 |
| 2nd qtr.1996 | 3.2 | 0.6 | 3.5 | 116.8 | 108.9 |
| 3rd qtr.1996 | 1.4 | 3.9 | 3.3 | 122.4 | 109.3 |
| 4th qtr.1996 | 3.1 | 4.9 | 3.3 | 129.6 | 109.7 |
| March 1996 | 5.8 | −2.9 | 3.1 | 107.4 | 108.2 |
| April | 2.8 | 0.2 | 3.4 | 117.7 | 108.5 |
| May | 2.3 | 2.7 | 3.6 | 122.2 | 109.7 |
| June | 4.4 | −1.1 | 3.5 | 110.3 | 108.9 |
| July | −1.7 | 6.0 | 3.4 | 128.2 | 109.1 |
| August | 2.1 | 1.8 | 3.3 | 117.2 | 109.0 |
| September | 3.6 | 3.9 | 3.3 | 120.9 | 109.3 |
| October | 4.3 | 6.5 | 3.4 | 133.4 | 109.3 |
| November | 4.0 | 4.5 | 3.2 | 129.4 | 109.4 |
| December | 1.0 | 3.7 | 3.3 | 126.7 | 109.7 |
| January 1997 | | 8.5 | | | |
| February | | | | | |

**■ GERMANY**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1986 | 103.3 | 102.2 | 9.4 | 136.9 | 89.3 |
| 1987 | 107.4 | 102.6 | 6.2 | 149.5 | 89.9 |
| 1988 | 110.9 | 106.3 | 8.2 | 165.1 | 96.9 |
| 1989 | 114.2 | 111.4 | 5.6 | 219.5 | 97.7 |
| 1990 | 123.4 | 117.2 | 4.8 | 261.9 | 98.2 |
| 1991 | 130.7 | 118.0 | 4.2 | 297.9 | 95.0 |
| 1992 | 127.6 | 116.3 | 7.7 | 287.9 | 89.0 |
| 1993 | 121.9 | 109.2 | 8.9 | 229.0 | 94.9 |
| 1994 | 120.4 | 113.9 | 9.6 | 241.2 | 103.3 |
| 1995 | 120.9 | 115.7 | 9.4 | 268.1 | 100.6 |
| 1996 | 119.1 | 114.4 | 10.4 | 273.7 | 104.3 |
| 1st qtr.1996 | −1.8 | −4.1 | 10.3 | 272.4 | 100.1 |
| 2nd qtr.1996 | −1.9 | −1.9 | 10.2 | 281.9 | 100.6 |
| 3rd qtr.1996 | −0.2 | 0.1 | 10.4 | 270.5 | 103.5 |
| 4th qtr.1996 | −2.0 | 1.5 | 10.7 | 270.2 | 104.3 |
| March 1996 | −0.2 | −3.4 | 10.4 | 283.6 | 100.1 |
| April | −1.4 | −2.1 | 10.2 | 283.0 | 100.3 |
| May | −4.7 | −2.8 | 10.2 | 280.5 | 100.8 |
| June | 0.5 | −0.9 | 10.3 | 281.3 | 100.6 |
| July | −0.3 | −0.7 | 10.3 | 273.8 | 101.5 |
| August | 0.3 | 1.2 | 10.3 | 269.6 | 102.6 |
| September | −0.6 | −0.3 | 10.5 | 270.4 | 100.6 |
| October | −2.1 | 0.9 | 10.6 | 269.6 | 104.8 |
| November | 0.4 | 0.7 | 10.7 | 269.6 | 104.9 |
| December | −4.2 | 2.9 | 10.9 | 270.4 | 104.3 |
| January 1997 | | 1.8 | | 265.4 | |
| February | | | | 275.4 | |

**■ FRANCE**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1986 | 102.4 | 101.1 | 10.4 | 107.0 | 95.5 |
| 1987 | 104.5 | 103.1 | 10.5 | 117.2 | 95.3 |
| 1988 | 107.9 | 107.3 | 10.0 | 135.3 | 100.0 |
| 1989 | 109.5 | 111.3 | 9.4 | 160.6 | 99.7 |
| 1990 | 110.4 | 112.8 | 8.9 | 163.2 | 94.8 |
| 1991 | 110.3 | 111.4 | 9.4 | 128.2 | 96.2 |
| 1992 | 110.5 | 110.0 | 10.4 | 109.5 | 94.8 |
| 1993 | 110.7 | 105.6 | 11.7 | 90.0 | 98.3 |
| 1994 | 110.7 | 109.9 | 12.2 | 104.1 | 101.7 |
| 1995 | 110.5 | 112.0 | 11.6 | | 97.3 |
| 1996 | 110.0 | 112.4 | 12.4 | | 99.7 |
| 1st qtr.1996 | 0.7 | −0.6 | 12.1 | | 99.1 |
| 2nd qtr.1996 | −1.0 | −0.3 | 12.4 | | 99.7 |
| 3rd qtr.1996 | −2.3 | 0.6 | 12.5 | | 101.3 |
| 4th qtr.1996 | 0.8 | 2.0 | 12.7 | | 99.7 |
| March 1996 | −1.0 | −0.9 | 12.3 | | 99.1 |
| April | 0.2 | 0.1 | 12.3 | | 99.0 |
| May | −2.3 | 0.0 | 12.4 | | 99.1 |
| June | −0.9 | −1.0 | 12.4 | | 99.7 |
| July | −2.1 | 0.8 | 12.4 | | 100.8 |
| August | 1.9 | 0.6 | 12.5 | | 101.3 |
| September | −6.7 | 0.6 | 12.6 | | 101.3 |
| October | 4.2 | 1.9 | 12.6 | | 101.2 |
| November | 0.0 | 2.0 | 12.7 | | 100.4 |
| December | −1.7 | 1.9 | 12.7 | | 99.7 |
| January 1997 | | | | | 100.3 |
| February | | | | | |

**■ ITALY**

| | Retail sales volume | Industrial production | Unemployment rate | Composite leading indicator |
|---|---|---|---|---|
| 1986 | 106.8 | 104.1 | 10.4 | 94.5 |
| 1987 | 112.1 | 106.8 | 10.8 | 96.2 |
| 1988 | 107.9 | 114.2 | 10.9 | 100.6 |
| 1989 | 116.9 | 116.7 | 10.8 | 98.7 |
| 1990 | 114.4 | 116.0 | 10.3 | 95.4 |
| 1991 | 110.9 | 116.9 | 6.9 | 97.6 |
| 1992 | 116.9 | 115.4 | 9.8 | 94.7 |
| 1993 | 114.1 | 113.0 | 10.2 | 101.5 |
| 1994 | 107.4 | 119.9 | 11.1 | 103.5 |
| 1995 | 102.1 | 126.9 | 12.1 | 102.0 |
| 1996 | | 123.8 | | |
| 1st qtr.1996 | | 0.4 | 12.0 | 100.4 |
| 2nd qtr.1996 | | −1.2 | 12.0 | 100.7 |
| 3rd qtr.1996 | | −4.8 | 12.1 | 102.4 |
| 4th qtr.1996 | | −4.2 | | |
| March 1996 | | 0.8 | n.a. | 100.4 |
| April | | −3.4 | n.a. | 100.2 |
| May | | −1.9 | n.a. | 100.3 |
| June | | 1.8 | n.a. | 100.7 |
| July | | −2.9 | n.a. | 101.2 |
| August | | −6.6 | n.a. | 101.9 |
| September | | −2.4 | n.a. | 102.4 |
| October | | −2.4 | n.a. | 102.9 |
| November | | −1.9 | n.a. | 103.4 |
| December | | −8.0 | n.a. | |
| January 1997 | | | n.a. | |
| February | | | n.a. | |

**■ UNITED KINGDOM**

| | Retail sales volume | Industrial production | Unemployment rate | Vacancy rate indicator | Composite leading indicator |
|---|---|---|---|---|---|
| 1986 | 105.3 | 102.5 | 11.2 | 116.1 | 92.8 |
| 1987 | 110.8 | 106.5 | 10.3 | 141.1 | 96.6 |
| 1988 | 117.6 | 111.6 | 8.6 | 144.0 | 96.2 |
| 1989 | 120.1 | 114.0 | 7.2 | 124.8 | 94.6 |
| 1990 | 121.1 | 113.7 | 6.9 | 97.7 | 92.5 |
| 1991 | 119.4 | 109.5 | 8.8 | 88.8 | 95.1 |
| 1992 | 120.4 | 109.4 | 10.1 | 69.6 | 97.9 |
| 1993 | 123.9 | 111.8 | 10.4 | 76.5 | 104.5 |
| 1994 | 126.5 | 117.4 | 9.5 | 93.9 | 106.8 |
| 1995 | 128.9 | 120.4 | 6.7 | 107.5 | 105.2 |
| 1996 | 133.8 | 121.8 | | 132.0 | 108.4 |
| 1st qtr.1996 | 2.0 | 1.4 | 8.3 | 112.3 | 107.0 |
| 2nd qtr.1996 | 2.9 | 1.2 | 8.3 | 121.3 | 107.6 |
| 3rd qtr.1996 | 3.4 | 0.8 | | 139.7 | 108.1 |
| 4th qtr.1996 | 3.8 | 1.5 | | 154.5 | 108.4 |
| March 1996 | 2.2 | 1.2 | 8.3 | 115.2 | 107.0 |
| April | 2.3 | 0.8 | 8.4 | 115.4 | 107.1 |
| May | 2.4 | 1.6 | 8.3 | 120.2 | 107.3 |
| June | 3.5 | 1.1 | 8.3 | 128.2 | 107.8 |
| July | 2.3 | 1.4 | 8.2 | 133.8 | 107.7 |
| August | 4.3 | 0.7 | 8.3 | 137.8 | 108.0 |
| September | 3.8 | 0.5 | | 147.5 | 108.1 |
| October | 4.3 | 1.4 | | 152.9 | 108.6 |
| November | 4.2 | 1.6 | | 156.2 | 108.6 |
| December | 2.9 | 1.7 | | 154.8 | 108.4 |
| January 1997 | 4.6 | 2.4 | | 152.7 | 107.8 |
| February | | | | | |

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

# Italy limbers up for an Olympian task

**Preparing for Emu**

Ask any Italian banker what he thinks of European economic and monetary unioo and be will antomaticaily say that he would like to see ltaly join Emu right from the start in January 1999. After a few seconds of reflection, however, he will admit it would probably be preferable if the single currency was introduced a few years later.

Emu poses an Olympian challenge for a highly fragmented, overstaffed and inefficient system which is still 60 per cent controlled by the state. The industry's average return on equity was a dismal 0.3 per cent in 1995. Last year it improved, but was still lingering at 2.2 per cent.

Forecasts make depressing reading, with an estimated average return on equity of 2.3 per cent, 2.4 per cent and 3.1 per cent for 1997, 1998, and 1999 respectively against 20 per cent in the UK, nearly 15 per cent in Spain and 6.5 per cent in the tronbied French banking sector.

"Italy is still in the midst of adapting its banking system to the modern world," explained a leading Milan banker. "This process only started 12 years ago. We still have to consolidate an industry with around 1,000 banks, and we have hardly begun privatisation," he said, adding that Emu was now a further complication.

"Merging or privatising absorbs a buge amount of management time and effort: imagine if you also bave to adapt yourself to an entirely new monetary system."

But for all these difficulties, Mr Giuseppe Zadra, the general manager of the Italian Banking Association (ABI), believes the system will be ready for Emu in 1999. "We would like to be in from the start, but even if we are not we are acting as if we were," ba said.

Mr Zadra chairs the ABI strategic committee set up to prepare the industry for Emn. A year ago, it approved a report listing the problems banks must solve to be ready to work in euros.

**Paul Betts** finds the country's banks optimistic about meeting Emu deadline

It created a series of technical committaes to address specific problems ranging from institutional relations, credit policy, systems and resources, payments systems and financial markets to legal issues.

"All our interbank activities will be done in euros from January 1 1999," be insisted. With the risks still high that Italy may fail to meet the terms for immediate entry in Emu, interbank payments are already being adapted to operate a double euro-lira currency system.

That is just one small example of the measure of the problem facing Italy.

Ironically, the short-term impact of Emu is likely to be felt hardest hy the larger banking groups. Under Emu, foreign banks are expected to be drawn to Italy's wide lending and deposit margins without having to address any more currency risk.

Margins in the commercial lending business, which affect the big banks more than the small ones, are believed to be most at risk because they are thought to have lower entry barriers. Retail margins, however, could prove more resilient because of the franchise strength of Italian banks, especially the smaller regional ones.

Smaller banks, with their less sophisticated and developed financial activities, are also likely to be hit less – in the short term at least – by increased competition in currency related commissions and financial operations.

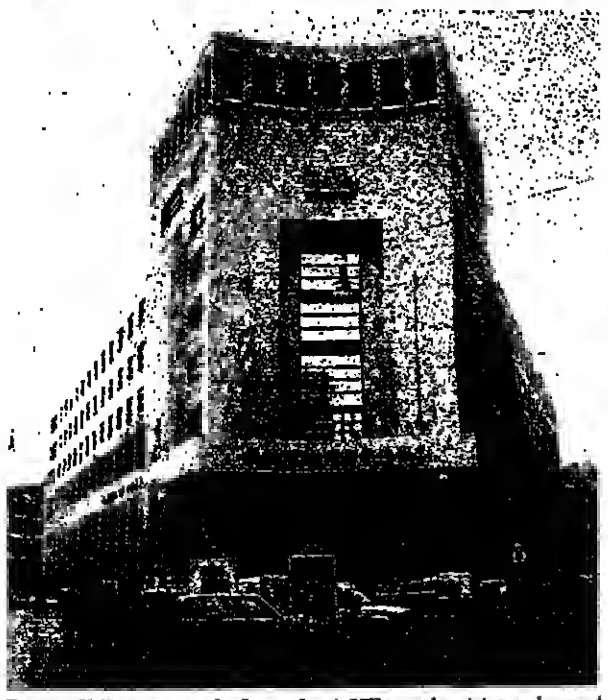
In the longer term, however, the larger banking groups are expected to have a competitive edge in Emu. Their critical mass and their international networks should enable them to davelop and distrihuta savings and investment products to expand their reach for new deposits.

One of the biggest headaches for smaller banks is the higher cost of adapting information technology systems to the single currency. ABI has been urging smaller banks to consider combining their new requirements with other banks or simply outsourcing their Information technology needs.

Estimates of the overall cost of Emu for the Italian banking system range from L2,500bn to L4,000bn ($1.5bn-$2.4bn) over the next three years. A study has sbown that for one of Italy's largest banks, domestic interest margins could be reduced by up to L370bn over three years while commissions on currency transactions could fall by around L50bn.

As for adapting the operations and structure of a big bank for Emu, another study estimates the total cost at around L270bn. Of this total, around L40bn would be spent on information technology systems, L15bn on staff training, and about L55bn on internal and external communications, and as mucb as L160bn would involve cost increases in the bank's operating procedures.

"Our challenge is to transform the problems and costs of adapting to Emn into a business opportunity," said the head of a big Italian bank. "It's exactly like Borsalino. They used to be dominant in hats. Every gangster from Chicago to Marseilles wore a Borsalino. The hats went out of fashion and so Borsalino now sells trousers, jeans, shirts, whatever, but they are still remembered as hatters."



Banco di Roma's main branch at Milan: sbort-term impact likely to be greater for bigger bank groups *Trevor Humphries*

# Little to celebrate for Swedish PM

## Persson has failed to fulfil high hopes after a year, writes **Hugh Carnegy**

Mr Göran Persson, Sweden's Social Democratic prime minister, is about to mark the completion of his first year in office. But the anniversary, on Friday, will hardly be a happy one.

When he took over from Mr Ingvar Carlsson as party leader and premier last March expectations were high. As finance minister be had fought and largely won a hard battle to overcome an acute crisis in Sweden's public finances.

An anthoritative and respected politician, he promised to set Sweden back on a path of prosperity and social welfare after the shock of deep recession in the early 1990s. He said he would halve record unemployment by the century's end. The SDP's opinion polls ratings surged in response.

A year later, however, the picture is very different. Total unemployment, at 13.3 per cent of the workforce, is higher than ever. Mr Persson is under fire from the left for the severity of budget cuts on the country's big public sector and, from the right, for ducking free market reforms that could stimulate private sector employment.

Recent opinion polls have shown the SDP eliding to ratings as low as 26.5 per cent, well below its archenemy, the conservative Moderate party, and a catastrophic level for the party that has governed Sweden for 53 of the past 64 years. It won the 1994 general election with 45 per cent of the vote. Mr Persson's own poll rankings are lower than for any recent prime minister.

Göran Persson: under fire from both left and right *Popperfoto*

He can point to some successes. Above all, the refurhishment of the public finances has beeo consolidated. The bndget deficit, which topped 13 per cent of gross domestic product in 1994, is set to be eliminated next year; public debt is starting to come down; interest rates have fallen sharply and prices are stable. Sweden is also set to qualify for European monetary union, although eotry is unlikely from the planned start in 1999 because of heavy opposition within the SDP and the electorate at large).

But Mr Persson has been caught up in a cross-current of issues which have comhined to undermine his position.

First, despite the successes in the public finances, the real economy has proved a disappolotment. Gross domestic product growth slowed to less tban 2 per cent last year, and although it is expected to pick up pace again this year, the painful fact is that growth bas mostly come from the export sector which is not increasing employment. investment levels in Sweden are proportionately among the lowest in industrialised countries.

Meanwhile, under pressure from the big public sector lobby within the party, Mr Persson has promised to start spending more public money once again, saying an extra SKr10bn ($1.3bn) a year will be channelled into the welfare system from next year to protect employment. But be bas resisted calls to loosen the rigidly regulated labour market and cut taxes to spur job creation. Tbis in turn bas raised doubts in the financial markets about the government's strategy.

Second, the prime minister's political strategy bas drawn him into conflict with both his allies and his enemies. He bas forged a close alliance witb the small, rurally rooted Centre party in order to provide the necessary parliamentary majority for his minority government. This bas the added advantage of splitting the ranks of the right-of-ceotre alternative coalition, led by the Moderates, to which the Centre party used to belong.

But the main fruit of the SDP-Centre alliance – an agreemeot to begin decommissioning Sweden's big nuclear power iodustry before the end of its technical lifespan – has split the SDP and brought protests from industry and several top unioo leaders.

The decisioo is in line with a 1980 referendum decision to replace nuclear power, which provides half of Sweden's electricity. It is also in line with Mr Persson's personal commitmeot to building an ecologically sustainable society. But critics say he bas risked increasing energy costs and raised a further obstacle to employment growth for the sake of Centre party demands.

The fundamental problem wbich underlies all tbese issues is the lack of direction the SDP has suffered since the crisis of the early 1990s. Then, the "Swedisb model" of a welfare-based, egalitarian society whicb the party bad built up over decades was overturned by deregulation and tbe internationalisation of the economy.

Mr Persson bas so far failed to articulate a clear new vision behind which the party can rally. The reforms the government has embraced have been made "besitantly, grudgingly and unwillingly", as one critic put it.

Tbe prime minister does not face a general election until September 1998, giving him time to reverse the current trend lo the polls. If be keeps the Centre party in his pocket, tbe odds remain tbat be will form the oext governmeot. But that prospect looks less certain than it did a year ago.

# Court could block Bonn's participation

By Wolfgang Münchau, Economics Correspondent

Many commentators who predict or fear a delay in ecooomic and monetary union point to the German constitutional court as a likely obstacle.

The court, whicb bas declared its competence in principle to rule on Germany's conformity with EU law, could theoretically try to block German participation in Emn if the government fails to meet the Maastricht treaty's convergence criteria. Mr Wilhelm Nolling, a former member of the Bundesbank's council, wbo has expressed doubts about German ability to meet the criteria, has threatened to launch a challenge at the court.

German constitutional lawyers warn that the powers of the constitutional court are not nearly as clear-cut as they appear. Mr Ulrich Everling, a former judge of the European Court in Luxembourg, suggests that a ruling on Emu could even trigger a constitutional crisis: if it challenges EU law it would redefine the country's whole legal relationship with the EU. It could set a precedent allowing any national court to rule on its own right to interpret and reinterpret European law.

The confusion touches upon tha complicated relations between EU law and national law. EU law normally overrides national law if there is a conflict between the two on European matters. But there are several exceptions. The German court, in a famous ruling in 1993, greatly extended its own European role. Attaching conditions to Germany's ratification of the Maastricht treaty on monetary union, it said the country was not snbordinating itself to "an unclear, automatic and uncontrollable mechanism".

Mr Paul Kirchhof, a senior judge of the constitutional court, is the most vociferous defender of its rights and has publicly warned against a softening of the Maastricht convergence criteria. He argues that the relationship between the EU and a member state is similar to that of a contract. The EU is not an upper level in a hierarchy: EU law feeds into national law through the "bridge" of national enabling legislation. It is through this bridge that the national court derives its powers.

Germany's legal establishment is split right down the middle over this. Mr Everling, now professor of European law at the University of Bonn, said a negative judgment by the constitutional court on German Emu participation would be unprecedented. "This would be much worse than a delay decided upon by politicians. This would give rise to a genuine political and constitutional crisis," he said.

In the worst case, other countries could follow Germany's example and opt out of EU law as it suits them, resulting in a gradual erosion of EU law.

The question is whetber the European Uniou treaties form a genuine constitution for its members, or wbether they only take effect as part of their own constitutions.

One example of the growing legal confusion was last year's decision by the government of Saxony to disregard a ruling by the European Commission, which had ordered the repayment of subsidies to Volkswagen, tha motor group, which it said were illegal under EU state aid rules. Saxony had openly questioned the Commission's right to intervene. The deadlock was temporarily resolved only after a compromise between the Commission and the German federal government.

The ripples of the constitutional court's 1993 Maastricht ruling are also felt in lower courts. In 1994, a German regional financial court ovarruled the European Court on the grounds that it had exceeded its competence. The court based its judgment directly on the constitutional court's Maastricht ruling.

The relatively short period between April 1998 – when EU heads of govarnment decide on who joins the single curreocy – and January 1999 – tbe prospective starting date – will not give the court much time for a decision if there is a challenge. The court might even take a decision after monetary union has already begun.

And if at the end of the day the German court did rule against Emu, the question of whether or not to delay could pale into insignificance compared with the more pressing political and constitutional concerns that would then face both the governments and financial markets of the EU.

Government rallies round Israeli premier ahead of building of new settlement at Har Homa

# Netanyahu wins no-confidence vote

**By Judy Dempsey in Jerusalem**

Israel's prime minister, Mr Benjamin Netanyahu, yesterday survived a no-confidence vote after members of his ruling coalition rallied behind him in preparation for the building of a new Jewish settlement at Har Homa, east Jerusalem.

The vote, initiated by the opposition Labour party, left Mr Netanyahu with a comfortable majority after 46 depnties voted for the motion, with 54 against. The vote followed intense lobbying by Mr Michael Eitan, parliamentary leader of the coalition, who persuaded the government to stand behind the prime minister.

Mr Netanyahu, who said before the vote he would start preparatory work at Har Homa this week, is bracing himself for possible unrest by the Palestinians once the bulldozers climb the hill there.

Mr Yitzhak Mordechai, Israeli defence minister, said he had sent additional troops to the West Bank and outskirts of Gaza in anticipation of any violence.

"Our working assumption is that incidents are likely to occur, even severe incidents," Mr Mordechai said. Other senior officials were trying to arrange a meeting between Mr Netanyahn and Mr Yassir Arafat, president of the Palestinian Authority, as soon as possible.

Despite fears of unrest which would deal a heavy blow to the peace process, already at a standstill, the final status talks, due to start yesterday have been postponed. Government officials said there was "no turning back" for Mr Natanyahu. "Har Homa will go ahead," Mr Moshe Fogel, a government spokesman, said.

The timetable for the start of the final status talks, focusing on Jerusalem, Israel's future borders and Palestinian refugees, was agreed on January 15 after the US-brokered Hebron agreement, in which Israeli troops withdrew from the West Bank city of Hebron.

But since then, Washington, which acted as guarantor for that accord, has been conspicuously absent in trying to keep the peace process on track. Among Israeli public opinion, there appears to be evidence of a growing swell of opposition by Israelis to building Har Homa at this time.

In its latest poll, the Centre for Peace Research at Tel Aviv University showed that if building on Har Homa would lead to violence, even if Israel had the right to build, 41 per cent supported the project. But 21 per cent opposed construction at all; those who believed it should be postponed amounted to 31 per cent.

In addition, Peace Now, the independent Israeli peace movement, yesterday showed how Har Homa would cost the tax payer more than Shk1bn ($227.2m).

It said the government's policies aimed at expanding Jewish settlements in the West Bank and east Jerusalem "were activities undertaken to appease a group [the settlers] that forms just 2.5 per cent of the population of Israel and is implacably opposed to the peace process."

Editorial comment, Page 19

# Nigeria airfare rise signals safety moves

**Antony Goldman** on new resources to make flying less risky

Cheap, unreliable and in possession of an unenviable safety record, Nigeria's domestic airlina industry welcomed an agreement with the military government to donble fares from yesterday.

"It is still not really enough to allow us to operate commercially," said Captain Muhammad Joji of the Airline Operators of Nigeria, "but it is a step in the right direction and we remain hopeful of a further upward review later this year."

A one-hour flight from the commercial city of Lagos to the capital Abuja had cost the equivalent of about $30.

Last year, more than 150 people were killed in crashes officially unexplained bnt widely linked to poor maintenance both of ground facilities and aircraft.

Operatore acknowledge the crisis gripping the sector. Only six out of 65 registered private airlines are running regular services. More than 50 aircraft were flying three years ago. Today there are barely 20. Soon there may be less than 10. Most aircraft are more than 20 years old, ageing DC-9s, 727s and other marques long since forgotten elsewhere.

Despite soaring inflation and currency reform which have raised dollar costs fourfold, the government has permitted no fare increases since 1994. "Even with full passenger volumes, we have done no more than cover costs," said Captain Joji, "and proper maintenance requires proper resources".

The government, however, has been slow to accept the industry'a arguments, saying local carriers benefit from some of the cheapest aviation fuel in the world as well as modest landing and parking fees.

Air Commodore Ita Udo-Imeh, the aviation minister, had maintained that a bigger increase would price air travel out of the reach of all but a few, and could contribute to inflationary pressures within the economy.

Aviation specialists denied this.

"Even as things stand," said one, "I doubt one person in 200 has ever travelled by air. The reality is that government officials are the most freqnent fliers in Nigeria. They regard private companies as a public utility, in effect imposing an informal subsidy on their own travel within the country. If it meant an improvement in safety and reliability, other users can and would pay much more."

Nigeria's three most successful carriers, Bellevue, ADC and Kabo, have sought to escape the constraints of an increasingly unprofitable domestic environment by moving into the more lucrative, dollar-ticketed, international market. ADC has negotiated rights along the west African coast and operates as Liberia'a national flag carrier. Bellevue is looking to take over moribund Nigeria Airways routes to Rio de Janeiro, Nairobl and Bombay. Kabo has hopes for destinations in the Gulf.

Meanwhile, combating the serious problems afflicting ground facilities and safety equipment will also require resources and a political will absent for some time. Radar, air traffic control, emergency services and other technical infrastructure have suffered from years of neglect.

A number of ambassadors, government officials and business executives were delayed eight hours in Lagos last week for a flight because of poor visibility at Abuja airport, where earlier this month a pilot narrowly missed tha control tower whose light he had mistaken for the runway. On Thursday, flights to all parts of the country were grounded because of a power cut. For such safety reasons, the British High Commission has since last year banned its staff from flying on domestic airlines.

Mr Peter Igbinedion, tha new head of the Federal Airports Authority of Nigeria has a two-year plan to upgrade facilities at Lagos, Abuja, the main oil centre Port Harcourt and Kano, the largest clty in the north. New maintenance contracts are being signed. Central government assistance has risen considerably since the son of General Sani Abacha, the head of state, was killed in an air crash in January last year.

The international terminal at Murtala Muhammad Airport in Lagos, once infamous for graft, aggression and sloth, has been smartened up. British Airways and others have paid for concessions to set up executive lounges, releasing resources which Mr Igbinedion said would go towards the creation of a safe operating environment.

Such changes, even if accomplished, will take time. For now, passengers at the domestic terminal are resigned to a service which is not only less than it should be, but less than what it was five years ago.

"I know things are not fine," said one lawyer waiting for a flight earlier this week, "but have you seen our roads?"



INTERNATIONAL NEWS DIGEST

## UN to make deeper cuts

Mr Kofi Annan, the United Nations secretary general, last night announced further measures to reform the organisation, including the elimination of 1,000 jobs, a $123m budget cut, and the consolidation of 30 separate divisions into four main departments.

He told the General Assembly's budget committee that these were economies within his authority but a broader restructuring would follow in July after consultations with member states. The current UN annual budget is about $1.3bn but member states including the US, the biggest debtor, owe more than twice that amount for regular expenses and peacekeeping.

Asked at a press conference how he would respond to a critical US Congress that might consider his cuts inadequate, he said any deeper rednction would be unwise. The effect on existing staff would be minimal, he insisted, because there were already about 1,000 vacancies unfilled. He acknowledged that, at 38 per cent of the budget, UN administrative costs were too high and he proposed a one-third cut by 2001. Also, the huge volume of documents would be reduced by at least 25 per cent.

*Michael Littlejohns, New York*

## James Baker is special envoy

Mr James Baker, US secretary of state under President George Bush, has returned to the international limelight, agreeing to help the United Nations resolve a bitter dispute over Western Sahara, a former Spanish dependency largely controlled by Morocco.

Mr Baker, 68, said last night he would visit the area next month for initial contacts with "the parties involved". As well as Morocco, these are the Polisario independence movement, Algeria and Mauritania, all of which reject King Hassan's claim to sovereignty.

A statement yesterday from Mr Kofi Annan, the UN secretary general, said that, as his special envoy, Mr Baker would assess whether a proposed referendum in Western Sahara could be implemented in its present form or whether "adjustments" might improve the chances. If not, ha would advise the UN "on other possible ways of resolving the conflict".

A UN-supervised poll was supposed to be held in January 1992 on the territory's status, following a ceasefire the previous September. But quarrelling broke out over who was entitled to vote. It is a large country, though sparsely populated, and many inhabitants are nomads.

*Michael Littlejohns*

## Mobutu in intensive care

President Mobutu Sese Seko of Zaire was yesterday in intensive care in a Monaco hospital, as rebels against his 31-year regime consolidated their hold on eastern Zaire and made the southern province of Shaba their next target.

France yesterday repeated its call on all sides in the Zairean conflict to accept a plan, backed by the United Nations and the Organisation for African Unity, for an immediate ceasefire, but refused to join Belgium, the former colonial power in Zaire, in acknowledging the Mobutu era was over. As Mr Mobutu went into hospital again for prostate cancer treatment, Mr Erik Derijcke, the Belgian foreign minister, said at the weekend that the rebel leader, Mr Laurent Kabila, was now "a factor who could not be ignored".

But the French press commented widely yesterday that France had lost out politically by staking too moch on Mr Mobutu as the only man capable of holding the country together.

*David Buchan, Paris*

Hariri: optimism tinged with defiance

# Lebanon PM confident on economy

No country has more reason to fear mounting tension in the Middle East than Lebanon. The guerrilla war against Israeli occupation of south Lebanon by the Syrian-backed Shia militia Hizbollah has a well-established pattern of episodic violence that casts a pall over Lebanese efforts to reconstruct a country all but destroyed by the 1975-90 civil war.

But as Lebanon last Friday commemorated the first Israeli invasion of its territory 19 years ago, Mr Rafiq al-Hariri, the country's billionaire prime minister, struck a characteristic note of optimism tinged with defiance as he reviewed Lebanon's resilient performance since Israeli's 17-day bombardment of Lebanon last April. "The country has acquired a sort of immunity" to Israeli attacks, he said.

Operation "Grapes of Wrath", as the Israelis called it, ended in a stalemate. Israel failed to bludgeon Beirut and Damascus – which deploys 40,000 Syrian troops to police Lebanon – into disarming Hizbollah; instead Israel and the Shia militia agreed rules of engagement, forbidding them to fire on or from civilian positions inside the occupation zone.

Moreover, the death last month of 73 Israeli commandos in a helicopter crash en route to Israel's "security zone" in southern Lebanon has rekindled debate inside Israel on a withdrawal.

Israel has never managed entirely to pacify its northern frontier. In 1982, full-scale invasion eventually drove Mr Yassir Arafat's Palestine Liberation Organisation out of its Lebanese strongholds. But the cost was a bloody and traumatic three-year war of attrition with Shia Moslem militias, which drove them back to the "security zone" they first carved out in 1978.

Officials in Beirut and Damascus are nervous that the hardline Likud-led government of Mr Benjamin Netanyahu, frustrated at the growing death toll in the Lebanon conflict, will lash out – and this time target Syrian positions in tha Bekaa valley, Hizbollah's rear guard. But Mr Hariri is sanguine. "It will not escalate," he believes. "Before, we never had a mechanism; now we do, in the monitoring comittee." war".

Lebanon cannot and will not make peace with Israel aeparately from its Syrian overlord, which wants the full return of the Golan Heights, captured by Israel in the 1967 Arab-Israeli war.

Beirut instead insists on the unilateral withdrawal called for in UN Security Council Resolution 425 of 1978. But despite popular Israeli bostility to involvement in Lebanon, Mr Hariri appears resigned to the low-level conflict continuing.

"They want to give a false impression about their willingness to withdraw from Lebanese territory. But if that's what they want, they can say frankly and openly they are willing to implement [resolution] 425. But I think they want us to live under the impression that war is imminent, to keep things boiling."

Last April, he argues, Mr Shimon Peres, the former Israeli premier and architect of the regional peace process – fighting an election against Mr Netanyahu, who threatened its "land-for-peace" foundations – "managed to convince his international allies he needed to do it [attack Lebanon] in order to win the election and t... peace. He could make a ca... Netanyahu cannot."

Mr Hariri emerged in 1... as the personification of L... anon's determination ... rebuild the country, and re-establish Beirut as t... region's financial centre, i... in its pre-civil war role as commercial banking cen... recycling petrodollars to t... west and more as a capi... market attracting devel... ment funds for Lebanc... Syria and the region.

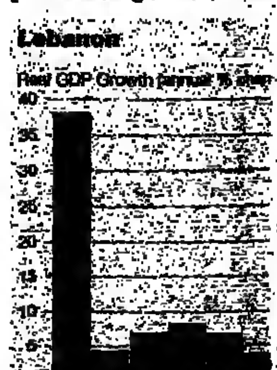
"We had to build an acc... mulated feeling, layer up... layer, that the war b... eoded," he says. He fe... that point has been reach... because public opinion i... got used to the lingeri... conflict with Israel.

"They know that after t... April aggression, the Leb... ese economy succeeded ... absorbing it, and the Leb... ese leadership turned it i... a victory."

In the diplomatic efforts ... end "Grapes of Wrath", Hariri artfully used his w... range of international c... tacts to give Lebanon t... beginnings of a voice in... pendent of that of Syria, widen the country's hig... qualified sovereignty.

"There is not only a nati... here, but an independe... sovereign state," he affir... And an economy with immune system."

After April, the Lebane... pound strengthened, inter... rates and inflation ca... down, yields on governme... and private eurobonds f... and spreads narrowed, a... the current account surpl... rose despite a widen... trade deficit, financed by continuing inflow of ov... $6bn a year from the Leb... ese diaspora.




Internal borrowing f... reconstruction has rise... however – partly to cov... the estimated $500m cost ... the Israeli bombardment ... and GDP growth fell from ... 7.2 per cent average ... 1993-95 to 4 per cent la... year. But "no country c... continue to grow over 7 p... cent a year indefinitely," ... Hariri says.

The point is, he says, "... dealt with it". The pri... minister, who made his ov... estimated $4bn fortune ... construction in Sau... Arabia, believes firmly th... Lebanon will come into i... own, with or without Israe... occupation.

"Now it's up to Neta... yahu," he concludes. "I... has all the cards in h... hands. He can say 'I want ... implement [resolution] 4... and to resume the negot... tions with Syria [halted ... year ago] from where we le... off', and all this tensio... would disappear.

"It's for them to decide ... they want peace, whic... could be very close, and the... together we could fight an... body in the region wh... wants to destroy that peac... But if what they want is ... dominate the Arabs, the... will be no peace."

**David Gardne...**

# US Treasury pushes tax collection agency reform

By Gerard Baker in Washington

The US Treasury yesterday proposed a radical overhaul of the Internal Revenue Service, the country's tax collection agency, designed to improve its accountability, strengthen its management and open parts of its activities to outsiders.

Announcing what he said would he the most far-reaching changes to the IRS in decades, Mr Lawrence Summere, the depnty Treasury secretary, told a conference of tax executives in Washington that the agency could do much better et providing a more cost-effective, high-quality tax collection service to Americans.

"The IRS needs to be more responsive to taxpayers, to use technology more effectively and to be more efficient," he said.

The Treasury's five-point plan, which will require the support of Congress, is designed to head off heavy criticism of the IRS's parformance in recent months.

The agency is, unsurprisingly, deeply unpopular and many congressional Republicans want to abolish it and transfer its powers to a mixture of of other public-sactor institutions and the private sector.

Calls for reform have grown following a series of embarrassing episodes that have included the botched introduction of a $3.5bn new computer system designed to streamline tax collection and a host of allegations of aggreesive heavy-handedness by many of the IRS's 100,000 tax collectors.

The plan calls for strengthened accountability by the Treasury through the establishment of a permanent supervisory commission to oversee the IRS's regular function.

An externally-staffed advisory committee would also be appointed to bring outside expertise to the running of the agency.

The IRS's managers would be given greater flexibility in personnel matters, including the right to hire outsiders at different pay levels from the government-prescribed salaries.

The agency's budget would be established on a longer-term basis.

Mr Summers also said the administration would work to simplify the highly complex, 9,451-page tax code, though he gave no details.

He ruled out support for the widely-touted flat-tax, however.

He said it would not only be unfair, it would not even achieve its main aim of simplifying the tax system. He also pledged to find a replacement soon for Ms Margaret Richardson, the current IRS commissioner, who has announced her intention to leave the agency by the end of next month.

"We will charge the new commissioner with developing a strategic plan for change. And we will work to give the new commissioner the flexibilities and tools he or she needs to effect change," Mr Summers said.

Cuba's Castro hit at US yesterday, saying he would be heppy to die fighting his old enemy. Observer, Page 19 Reuter

## INTER-AMERICAN DEVELOPMENT BANK MEETING

# Latin America poised 'to double growth'

By Stephen Fidler in Barcelona

Most countries in Latin America are poised for a take-off that could give the region growth of double the average annual 3 per cent of the early 1990s, Mr Enrique Iglesias, president of the Inter-American Development Bank, said yesterday.

"If we look at the broad gains achieved in economic efficiency thanks to ongoing structural reforms, and the enormous effort being made to boost investment, it should be possible to double current GDP growth," he told the opening session of the bank's annual meeting. This could double living standards within 20 years.

"Though some observers may find this too rosy a scenario, I think it is a viable one, if there is e policy in the countries to build on recent efforts to strengthen their economies," he said. Reforms so far augured well for a rise in the ratio of investment to gross domestic product from the current average of 21 per cent to 27 per cent, he said.

If present trends continued, in the year 2000 Latin America would have 510m people and a GDP of $1,700bn. Imports would grow to more than $400bn and exports to over $370bn.

However, reducing the region's vulnerability will require boosting its savings rate and increasing exports. He cited reforms still needed in tax, education, social security and labour.

Mr David Lipton, assistant secretary of the US Treasury, said in a speech that President Bill Clinton's administration remained committed to the goal of a free trade agreement for all the Americas, agreed hy regional leaders in Miami in 1994. "We are now working with our Congress to introduce the 'fast track' legislation needed to launch trade negotiations in a timely manner," he said.

Hemispheric free trade would be at the top of President Bill Clinton's agenda when he visited Latin America and the Caribbean in May, he said. Mr Clinton is to visit Costa Rica – where he will meet central American heads of state – Argentina, Brazil, possibly Venezuela, and Barbados, where he will meet Caribbean leaders. He is also expected to visit Mexico next month.

*Mr Lipton called* on the IADB to increase its efforts to deepeo integration. This meant not only removing harriers to trade in goods and services, hot also issues such as a harmonisation of economic disclosures hy government and financial and accounting standards for private institutions. "The goal should be that a bank examiner in Buenos Aires should be comfortable reading the financial statement of a bank in Bogotá," he said.

● The IADB is likely to receive hacking within months to help finance debt concessions under a new initiative to relieve the debts of highly indebted poor countries. Two candidates are Nicaragua and Bolivia.

Officials from Latin American governments said yesterday they would continne to consider favonrahly fnrther buy-backs of Brady bonds provided international bond market conditions remained favourable, reports Stephen Fidler from Barcelona.

Mr Martin Werner, Mexico's director of public credit, said Mexico had some $7bn tied np in collateral in Brady bonds, issued as part of its agreement restructuring its 1980s hank debt. Brady bonds were inefficient because they were issned with the needs of commercial hanks rather than investors in mind, he said.

Mexico is currently condncting an exercise to buy back more than $1bn of so-called Aztec bonds, which will release $400m of US Treasury bonds being used as collateral. Mr Werner said the government wonld continue to look for ways to rednce its Brady burden. However, he said Mexico would not repeat the anction for Brady bonds which it conducted last year because of the market risk in the week or so while the anction was nnder way.

Argentina's nnder-secretary for finance, Mr Miguel Kignel, said Argentina wonld also consider buying back Brady bonds, a move which it had previously avoided because it was worried abont "crowding ont" other government bond issues in the market. Now, with the government at least a qnarter ahead of its financing needs, this was less of a concern.

In conversations with investors yesterday, the finance minister of Panama, Mr Guillermo Chepman, said Panama hed also bongbt back some of its Brady bonds.

By contrast, Uruguey's finance minister, Mr Luis Mosca, said his government was not considering sucb a buyback – *even though it is* considering a $300m international hond issne over the next few months. This money, which may inclnde a 30-year component, wonld be directed at redocing the government's short-term debt. Rednciug the Brady deht – with its long maturities – was not a priority.

## AMERICAN NEWS DIGEST

# Salvador poll neck and neck

Preliminary results from Sunday's nationwide parliamentary and local government elections in El Salvador indicate that the ruling right-wing Arena party has lost substantial ground to the country's former leftwing rebels, the FMLN.

Full official results are not expected until later today, but projections made with 60 per cent of the vote counted would give Arena and the FMLN around 30 seats each of the 84 in the Legislative Assembly. The balance of power would be held by a bandful of minor parties to the right and centre. *Johanna Tuckman, Guatemala City*

## US budget talks deadlock

Talks between the US administration and Congress aimed at producing a balanced federal budget over the next five years have reached a standstill, Sen Trent Lott, the Senate majority leader, said yesterday. Mr Lott said Republicans would now begin work on reaching a budget deal with Democratic members of Congress in the bope of by-passing the White House.

Talks between the White House and Republican leaders broke down late last week after President Bill Clinton rejected Mr Lott's proposal to appoint a commission to look at possible changes to the way in which social security benefits and tax brackets are adjusted eacb year for inflatioo. *Gerard Baker, Washington*

## Setback for US tobacco

The US tobacco industry suffered a legal setback yesterday wben the Supreme Court declined to hear a challenge to a oew Florida law that makes it easier for the state to sue cigarette manufacturers for the costs it incurs in treating smoking-related illnesses. The law allows Florida to sue the industry on behalf of the entire class of smokers in the state.

The state plans to lump together all costs for treating smoking-related illnesses and sbare them among tobacco companies according to market share. The law may prove hard to enforce because the industry last year woo a court ruling requiring the state to name individuals so claims could be challenged. *Richard Tomkins, New York*

## Finance house insolvent

The Jamaican government yesterday took over one of the island'e largest finance houses in an effort to head off fresh instability in the financial services sector. Eagle Financial Network, the bolding company for a commercial bank, a merchant bank, an insurer, a stock broker, and two of the island's leading botels, will be managed on the government's behalf hy the Canadian Bank of Nova Scotia until it is "returned to viability", said Mr Omar Davies, Jamaica's finance minister. "Eagle Financial Network has become insolvent and control is being turned over to the government for J$1," said Mr Paul Chen Young, in announcing his resignation as the company's chairman. *Canute James, Kingston*

## Mrs Jagan sworn in as PM

Mrs Janet Jagan, widow of Guyana's former president Cheddi Jagan who died 10 days ago, was sworn in as prime minister and deputy president yesterday. She replaces Mr Sam Hinds, who was elected president to succeed Mr Jagan. *Canute James, Kingston*

# Flextech deal values channels at $636m

By Raymond Snoddy in London

A joint venture completed yesterday between the BBC and Flextech, the cable and satellite channel provider, has put a high value approaching £400m ($636m) on two satellite channels, UK Gold and UK Living.

UK Gold is a channel based on the programme libraries of the BBC and Thames Television, which is now part of Pearson, owner of the Financial Times. The UK Gold channel usually has an audience share of something above 2 per cent in cable and satellite homes.

UK Living, a channel aimed mainly at women, has been growing rapidly and gets more than a 1 per cent audience share in homes which receive multiple channels.

The high price paid mainly in Flextech shares was partly influenced by the fact that UK Gold had an exclusive programme licensing agreement with the BBC.

The deal had to be unpicked before the BBC and Flextech could go ahead with joint venture plans to launch eight channels for digital television largely using programmes from the BBC library and BBC production.

Agreement has been reached with Flextech, ultimately controlled by Tele-Communications Inc of Denver, the largest US cable company, and BBC Worldwide, the commercial arm of the BBC, to set up two joint ventures.

The main joint venture will run the eight new channels such as One-TV, a television version of Radio 1, Catch-Up TV, featuring recently transmitted programmes and Learning, an educational channel. The other is designed to acquire and run UK Gold. Under the deal, Flextech will acquire 75 per cent of UK Gold and the 68.75 per cent of UK Living it does not already own from Cox Communications of the US, Pearson and BBC Worldwide Investments, plus loan stock issued by the channels.

To pay for the deal Flextech is issuing 34.9m new shares. At the time the heads of agreement were signed last July, the stock was worth 496p a share. By March 14 the Flextech stock had risen to 772p making the consideration worth £269.9m – or about £370m for the total equity of both channels. When all the complex transactions are complete, Flextech will have 50 per cent of both joint venture companies and 100 per cent of UK Living.

Pearson Results, Page 21
Lex, Page 29

# Crown Agents privatisation is threatened

By Liam Halligan, Political Staff

The impending privatisation of Crown Agents, the procurement organisation involved in projects worth some £4bn annually, was thrown into uncertainty yesterday when the Labour party withdrew its support.

The UK government was due this week to finalise the privatisation of the leading supplier of procurement, financial management and technical services to governments in developing countries. Privatisation would transfer ownership to a new foundation whose members include British Telecommunications, Unilever and Barclays Bank.

Parliamentary convention means that during an election campaign, the government must seek opposition approval of decisions binding an incoming government. Despite supporting the original bill, Ms Clare Short, Labour's shadow aid minister, refused to do so when contacted yesterday by Baroness Linda Chalker, minister for overseas development. "Baroness Chalker appears to have reneged on the promises we secured on the new foundation's membership and [charitable] status," said a Labour source.

Crown Agents was founded in the 1830s to procure supplies for British colonies. It has 1,000 staff in 40 offices worldwide and earned £60m in fees last year. Leading clients included the World Bank, the European Union and the United Nations.

Privatisation is designed to allow Crown Agents to take on private sector projects and form joint ventures while maintaining its reputation for impartiality and integrity.

The move is not intended to raise money, although it is possible a small amount will be raised from the repayment of £1.7m owed by Crown Agents to the government.

Crown Agents has diversified from its original trading base and earns 30 per cent of its revenue in Europe and the former Soviet Union.

Although it plays a significant role in Britain's overseas aid programme, Crown Agents has operated at no cost to the exchequer for several years, with the vast majority of its business financed from other sources.

Mr Peter Berry, managing director, believes privatisation will prove to clients that it is independent of government pressure to "buy British".

Elizabeth Forsyth leaving the Court of Appeal in London yesterday: "I knew I would get justice in the end"

# Court quashes conviction of Asil Nadir aide

By John Mason, Law Courts Correspondent

Mrs Elizabeth Forsyth, aide to the former Polly Peck chairman, Mr Asil Nadir, yesterday had her conviction for handling £400,000 ($636,000) of stolen money quashed by the Court of Appeal.

It ruled that the trial judge, Mr Justice Tucker, had misdirected the jury twice, making her conviction unsafe.

The court rejected Mrs Forsyth's claim that the Serious Fraud Office had acted unfairly in bringing her to trial. However, it said the SFO's decision to prosecute had been "strange" when charges against Mr John Turner, the former Polly Peck group accountant, had been dropped after Mr Nadir fled to northern Cyprus in 1993.

Afterwards, Mrs Forsyth said: "I knew I would get justice in the end and I am grateful despite having spent 10 months in prison for a crime that I did not commit."

Mrs Forsyth was sentenced to five years' imprisonment after being convicted in March 1996. Earlier this year, the Court of Appeal released her on bail, saying the sentence imposed on her was disproportionate.

An SFO spokesman said: "The case emphasises the difficulty for judges in giving directions to juries in fraud cases. This decision does not affect the case against Asil Nadir."

# Plan to trade in 'covered warrants'

The London Stock Exchange is drawing up plans to create a screen-based market in covered warrants, a form of equity derivative giving investors the right to buy shares in a company at a fixed price in the future, our Banking Editor writes.

About 100 of the instruments, called "covered" because they are issued by investment banks rather than the companies whose shares are involved, are listed already. However, the exchange has not provided a direct method to trade them.

The creation of an open trading method for covered warrants would bring London closer to the practice of other European exchanges.

Hundreds of such warrants are commonly traded on exchanges in Germany and Switzerland. The exchange is planning to issue a consultation document on its proposed market in April, and to commence trading in May. It is to propose using the Seats Plus trading platform.

Mr Martin Wheatley, head of markets development at the exchange, said it had been approached by investment banks that issue warrants on shares and equity indices, which were seeking a more open trading method for warrants.

Until now, investment banks that have issued covered warrants have only been able to quote prices for them on a proprietary electronic network such as that provided by Reuters, the financial information company.

UK NEWS DIGEST

## Lloyd's profits fall predicted

Profits on business written this year at the Lloyd's of London insurance market are predicted to fall by over a third from 1996 levels, according to the results of a survey of 70 underwriters.

The forecast comes amid severe price competition which has severely eroded margins in several key areas of the market. Rates for catastrophe reinsurance have fallen by between 10 per cent and 20 per cent this year, said Syndicate Underwriting Research Limited, owned by Lloyd's members' agency Anton Jardine.

Its forecast of a £400m ($636m) return on capacity – the amount Lloyd's can write in terms of premium income – for the 1997 year of account contrasts with a projected profit of £610m for the 1996 year and actual profits of £1.1bn for 1993. Lloyd's traditionally announces its results three years in arrears. *Christopher Adams*

■ RECORD DRUG SEIZURES

## Fears over increase in heroin use

Customs investigators yesterday announced record seizures of 79.9 tonnes of illegal drugs last year amid fears of a steep increase in heroin use. The volume of drugs intercepted by Customs last year was up by about 10 per cent, with a total street value of more than £510 million.

Mr Keith Hellawell, chief constable of the West Yorkshire police and chairman of a drugs committee set up by the Association of Chief Police Officers, warned that heroin use was becoming worse than ever. Heroin was now the first choice drug for many young people and in some areas cost the equivalent of cannabis.

■ LONDON UNDERGROUND POWER

## Consortium poised to take over

London Underground, which runs the state-owned underground railway in the capital, is poised to hand over responsibility for its electricity supply to a private sector consortium. That would end the regime under which it has provided most of its electric power from two of its own power stations.

Seeboard Powerlink, consisting of Seeboard, a regional electricity distributor; the BICC construction group; and ABB, an electrical engineering group has been selected as preferred bidder for £200-£300m contract. The Powerlink consortium will undertake to operate, maintain and upgrade electricity supplies to the underground's 400km of track and 270 stations. *Charles Batchelor*

■ HEALTH SERVICE

## $295m overspending forecast

The worst hit health authorities in England are set to overspend by £186m ($295m) this year, latest figures from the executive of the state-run National Health Service reveal. Sixty-five of the 98 authorities in England are heading for a £186m deficit when the financial year ends the day before polling day.

The figures show that "whoever wins the general election is going to face a very tough time responding to the problems that the NHS faces," Mr Philip Hunt, director of the National Association of Health Authorities and Trusts, said. *Nicholas Timmins*

Election campaign, Page 10

# Kim's son apologises to Koreans

By John Burton in Seoul

The son of Mr Kim Young-sam, the South Korean president, yesterday apologised to the nation as he confronted new allegations of influence-peddling and meddling in state affairs.

The allegations that Mr Kim Hyun-chul played a key role in administration appointments and policy has further undermined his father's presidency, which has already been severely weakened this year by the Hanbo loan scandal and a dispute over a controversial labour law.

Prosecutors earlier cleared the younger Mr Kim of any suspected involvement in the Hanbo loan scandal, but opinion polls revealed that a majority of the public believes he helped press banks to lend nearly $6bn to the Hanbo steel group that went bankrupt in January.

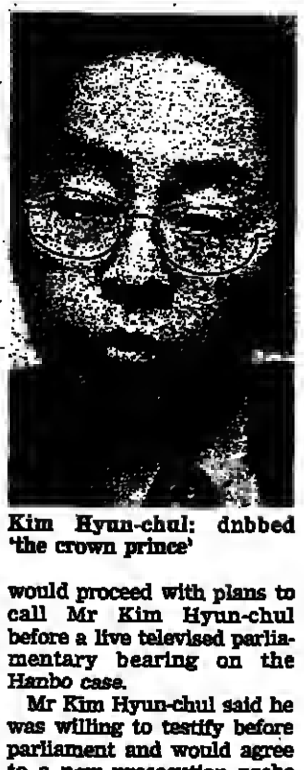
Ten senior government officials and businessmen yesterday went on trial in the bribes-for-loans scandal involving Hanbo.

"Lowering my head, I deeply apologise to the people and solicit your forgiveness. I also apologise to my father for my failure to fulfil my filial duty as a son," said the president's second son in a statement that reflected the nation's Confucian values.

The younger Mr Kim, who is aged 38, has been dubbed "the crown prince" because of his alleged political influence as his father's closest adviser.

He said he "wept profusely" when he saw his father express shame that his son's name had been linked to Hanbo when the president made a televised apology last month for the scandal.

The opposition parties, which called the son's apology "insincere", said they would proceed with plans to call Mr Kim Hyun-chul before a live televised parliamentary hearing on the Hanbo case.



Kim Hyun-chul: dubbed 'the crown prince'

Mr Kim Hyun-chul said he was willing to testify before parliament and would agree to a new prosecution probe into his role in the Hanbo affair. "I will willingly accept any punishment if I was in the wrong," he said.

The prosecution is also preparing to investigate allegations that the president's son illegally intervened in state affairs. This followed the release last week of a videotape that showed him apparently trying to arrange a key media appointment.

The opposition claims that Mr Kim received classified reports from the intelligence service, selected cabinet ministers and defence officials, and tried to increase government influence over the media. Questions have also been raised about the financial sources for a political organisation operated by the president's son, who had no means of support as he studied for a doctorate in business administration at a university in Seoul.

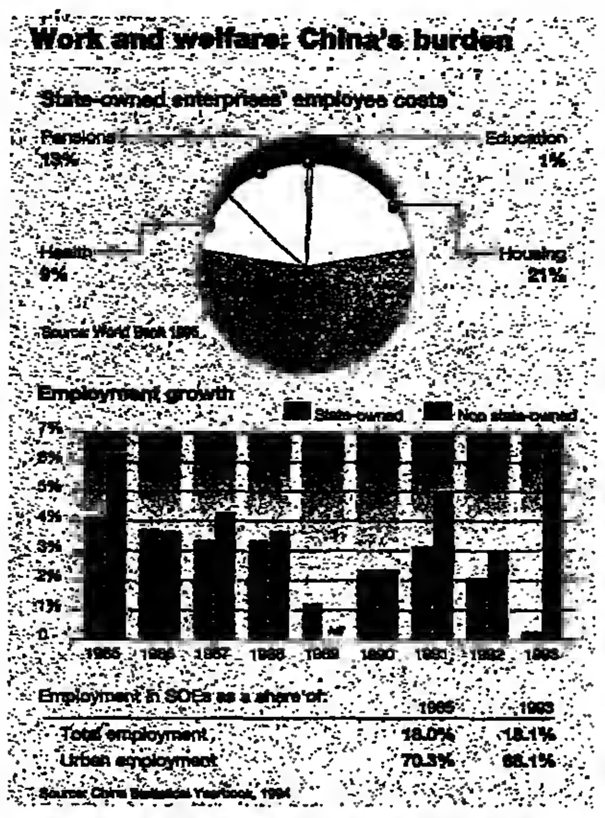
# Red Lantern dimmed by harsh light of market forces

When Chinese dignitaries visited their counterparts in the communist bloc in the 1960s and 1970s, the gift they tended to take was a Red Lantern radio.

Red Lantern, which made radios and record players at its plant in Shanghai, was then the showcase of China's high technology electronics industry and high on the government's list of the top 100 enterprises in China.

Today, the production lines, warehouses, office blocks, canteens and dormitories are all but empty. The Shanghai headquarters, which once employed more than 3,000 people, is a deserted maze patrolled by a few dozen workers on security detail.

Red Lantern exemplifies the thorniest problem facing China's economic reformers: the all-but-bankrupt state-owned enterprise which threatens the efficiency of the national economy but which also provides welfare for redundant workers.




China's new leadership will have to reform state-owned enterprises (SOEs) to live up to the legacy of the late Deng Xiaoping, who exposed the state sector to the market economy. The plight of Red Lantern shows how much unfinished business Deng left behind.

The opening of Shanghai to international competition in 1990 dealt a swift blow to Red Lantern. Sales fell from approximately Yn120m ($14.5m) to Yn30m ($3.6m) within three years and it lurched from profit to loss.

"Sales were excellent during the planned economy period, but after 1990 we turned to the market economy and enterprises like ours went into decline. With old management systems and too many workers, we were just too slow. We could not cope with the challenge from foreign companies," says one of the remaining managers.

However, the company has not been allowed to go bankrupt. Red Lantern remains in business and, in theory, at least, has 1,000 workers. Of those, 600 are redundant but paid a subsistence wage by the company and a further 400 "are assisting in the re-employment programme" and similarly remunerated.

The "active workers" number 10 people responsible for sales, 10 for product development and 10 for quality control. Another few dozen are in management or security.

Failed SOEs in Shanghai are shouldering the costs of hundreds of thousands of unemployed workers while, across China, the World Bank estimates state enterprises employ more than 15m redundant workers.

The World Bank acknowledges that, given the "central position of state enterprises in the Chinese economy, their importance as employers of urban workers and their role in providing social security, health and education services", allowing SOEs to fail could bring hefty social costs.

Nevertheless, reform of companies such as Red Lantern is China's "highest priority", the World Bank argued in a report last year. Inefficient, loss-making SOEs are "a drag on growth and employment creation. The financial support these enterprises receive through the fiscal and banking systems has periodically threatened macroeconomic stability."

Shanghai is in the vanguard of local governments struggling with the dilemma – to endorse bankruptcy and take on responsibility for the redundant workers or allow the state companies to limp on and risk long-term damage to the economy. The city has pledged to accelerate the reform of SOEs, forcing some companies into bankruptcies and dealing with other failures through merger and acquisition.

There have already been some bankruptcies in Shanghai, where the government subsidies are low and credit controls are tight. But the scale has been tiny. There were fewer than 50 SOE bankruptcies last year, out of more than 2,000 state-owned enterprises.

China's economic reformers are pressing for the process to be accelerated. Mr Zhu Rongji, architect of China's transition to a market economy, sees the bankruptcy or restructuring of defunct SOEs as a painful prerequisite to successful economic transformation.

At Red Lantern, the management feels "we have been through our very lowest point and now we can start to build up the business again". It says Red Lantern has contracted out its manufacturing operations to rural assembly factories and is using the Shanghai headquarters as a marketing and quality control centre. It accepts it cannot compete with the innovative designs of foreign manufacturers and is targeting China's poorer, rural market with cheap stereo equipment.

Midway through a three-year stabilisation programme, it claims its sales figures have already shown a marked improvement.

External financial assistance, which included a Yn1m loan from Red Lantern's mother company, Shanghai Instrumentation and Electronics Holding, and Yn6m loans from state-owned banks, helped in the recovery.

The Shanghai municipal government has chosen 42 enterprises to test "comprehensive enterprise reform" which, if successful, will be applied to other loss-making SOEs as an alternative to bankruptcy or merger.

"We are a microcosm of the SOEs across the country. If this stage of development succeeds then we will become a model for others," says Red Lantern's management. "Then we will start the propaganda."

**James Harding**

# Economic boost plan expected

By John Burton

South Korea is expected to announce on Friday new measures to boost its troubled economy, with an emphasis on narrowing a record current account deficit and reducing inflation.

Mr Kang Kyung-shik, who was appointed earlier this month as finance minister, is scheduled to hold a news conference with other economic ministers on a revitalisation plan for the economy, which is suffering from high interest rates that threaten to slow growth and a rapidly weakening currency that is boosting inflation through higher import prices.

The Seoul general share index rose by 2.65 per cent to close at 658.9 points on the expectation that Mr Kang will announce an immediate rise in the foreign shareholding ceiling in a listed company to 23 per cent from the current 20 per cent. This will increase liquidity and possibly improve the performance of what has been one of Asia's worst markets over the past year.

Seoul had already promised to raise the ceiling by this amount in 1997 as part of its entry into the Organisation for Economic Co-operation and Development.

Analysts are also hoping for measures that will funnel money from the huge underground economy into the organised financial system. Mr Kang has already floated proposals suggesting that bearer government bonds be issued to encourage those holding secret funds to transfer to officially-sanctioned investments.

Proposals to reduce some of the 11,000 administrative regulations are also expected to be announced.

# China denies exploring for oil in Vietnamese waters

By Tony Walker in Beijing and Jeremy Grant in Hanoi

China yesterday firmly denied Vietnam's claims that one of its oil exploration vessels was operating in Vietnamese waters, in a festering dispute over potentially oil-rich waters of the South China Sea.

A Chinese foreign ministry spokesman said exploration was being conducted "within the continental shelf and exclusive economic zone of China". He described the operation as "beyond reproach". Industry analysts say that China's swift reaction to Hanoi may indicate confidence that it has evidence of sizeable energy resources in the region.

Hanoi protested to Beijing last week, saying Chinese oil explorers had violated Vietnam's sovereignty by drilling near its central coast.

"Vietnam demands the Chinese side stop the operation of the Kan Tan 111 oil rig and withdraw it from the exclusive zone and the continental shelf of Vietnam," reported the official Vietnam News Agency.

The Chinese vessel appears to be operating in waters north-west of the Spratly islands. Vietnam and China are among a number of claimants to the islands and surrounding waters.

An official at Vietnam's state oil agency PetroVietnam told Reuters news agency yesterday the area currently the focus of dispute, known as Block 113, had been surveyed by Vietnam and was thought to contain oil and associated gas.

The block, moreover, is not far from the Yacheng gas field, a large gas development in Chinese territory from which gas has been piped to Hong Kong since last year.

Some analysts say Beijing believes block 113 contains additional reserves of gas and could complement the Yacheng field. They say the Yacheng pipeline has spare capacity and could accommodate more gas.

"What's interesting is that the Chinese, having started a gas system, now appear determined to extend it," said Mr Al Troner, managing director of Kuala Lumpur-based Asia-Pacific Energy Consulting. "They may think that the whole area is gas prone. It's not an unlikely assumption."

Relations between Hanoi and Beijing have improved recently, but territorial disputes over the South China Sea and Gulf of Tonkin threaten to disrupt ties.

The two countries fought a brief border war in 1979 and in 1988 the Chinese sank three Vietnamese naval vessels in clashes over disputed South China Sea waters.

Both sides are seeking to exploit prospective oil-rich areas of the South China Sea and both have sought to involve foreign companies in exploration work in disputed waters.

In 1992, China signed a contract with Crestone Energy of the US to explore for oil near Vietnam. Last year, the Vietnamese reached agreement with Conoco of the US to explore near the Spratly islands.

China's neighbours periodically express alarm at Beijing's territorial ambitions in the South China Sea. Beijing's need for oil and its relative lack of exploration success in the Yellow Sea, East China Sea and Pearl River delta appear to be driving its search further afield.

# Powell reiterates US commitment to Taiwan

By Laura Tyson in Taipei

Mr Colin Powell, retired US military chief, yesterday underscored Washington's commitment to provide Taiwan with defensive weapons as the island announced plans to buy US-made Stinger anti-aircraft missiles after the collapse of a similar deal with France.

Mr Chiang Chung-ling, defence minister, yesterday told the Legislative Yuan, or national legislature, that a plan to buy shoulder-fired Mistral missiles from France had stalled but stopped short of blaming rival China for sabotaging the deal.

"Because the Mistral budget has been listed for two years, and because France was unable to confirm a time to sign the deal with us... we decided to buy US Stingers first," he said.

Stinger missiles aided Mujahideen fighters in ejecting the Soviet army from Afghanistan in the 1980s.

Mr Powell said in Taipei that it was in the US's interest to help Taiwan maintain adequate defences. "I think what we do necessarily is to make sure that Taiwan has proper self-defence," said Mr Powell, who served under President George Bush.

Under intense pressure from Beijing, which regards Taiwan as a rebel province, Paris agreed in 1994 to halt all new arms sales to Taiwan. But it intends to complete transfer of 60 Mirage 2000-5 fighter jets purchased in 1992.

Mr Chiang declined to say if Taiwan's military would continue to seek Mistral sales from France and how much Taiwan had offered for the weapons. Media reports said the 2,000 Mistrals were worth T$10bn (US$364m).

The US is Taiwan's biggest arms supplier despite Washington's 1979 diplomatic recognition of Beijing as the sole government of China.

The US is under pressure from China to stop arming the Nationalist-ruled island.

Taiwan will soon take delivery of 150 US-made F-16 fighters and is installing US-made Patriot anti-missile systems made famous during the 1991 Gulf war overseen by Mr Powell.

The 59-year-old former general described Taiwan-US ties as "excellent," citing Washington's dispatch of two aircraft carrier groups to the region in March last year as a counterweight to intimidating war games and missile tests being mounted at the time by Beijing.

He said that the US move was stabilising, not provocative.

# Military challenges PNG premier

By Nikki Tait in Sydney

Papua New Guinea's army and police chiefs yesterday said they had lost confidence in Sir Julius Chan, the prime minister, and gave him 48 hours to resign.

Sir Julius, who has been under intense criticism for his decision to employ foreign mercenaries to train PNG defence forces waging a war against secessionists on the mineral-rich island of Bougainville, said he did not intend to step down. He said he would instead dismiss the head of the defence forces.

The government has said that the mercenaries would not be used in direct combat but suspicions have lingered that they could ultimately have a hands-on role.

Yesterday's showdown unfolded in Port Moresby, PNG's capital, when Brigadier General Jerry Singirok, head of the PNG army, said that forces under his command were refusing to co-operate with about 40 employees of Sandline International, who have been training PNG soldiers in Wewak. Sandline is said to be receiving around A$35m (US$27m) for its services.

He added in a local radio broadcast that Sandline employees had been detained and would be asked to leave the country.

"I couldn't stand the government spending Kina 30m [$22m] in three months on Sandline International when my men can hardly get enough food, supplies or uniforms," he said.

His remarks followed a visit earlier in the day with Mr Bob Nenta, PNG's police commissioner, to Sir Wiwa Korowi, PNG's governor-general. However, under the terms of the PNG constitution, the governor-general has limited powers, and cannot, for example, sack an incumbent prime minister.

Gen Singirok denied his actions amounted to a coup. "People are saying there is a coup... there is no coup."

After holding an emergency cabinet meeting, Sir Julius also played down the coup suggestions, saying that the "situation is under control". "There is no need for any anxiety or any fear," he said last night.

The political confusion prompted a sharp drop in the share prices of a number of resource-based companies with big PNG interests. Oil Search dropped 24 cents to A$2.60, and Orogen Minerals fell 24 cents to A$3.20.

The Australian government, which administered PNG before its independence in 1975 and which has already expressed grave misgivings over Sir Julius' hiring of the mercenaries, also said it was following the situation "very closely and with great concern".


The Bougainville crisis has been a problem for PNG governments since conflict broke out in 1988 when landowners joined forces with secessionist rebels and forced the closure of the large Panguna copper mine.

# Major opens final stage of struggle to survive

## As election date is announced, **John Kampfner** describes the battles facing the main parties

This will be the general election of superlatives. The campaign will be the longest, the most expensive, the most high-tech and possibly the dirtiest of them all.

The task facing both candidates for Downing Street is unprecedented. To gain an overall majority after 18 years of opposition, the Labour party will have to secure the biggest swing since the second world war. To remain in power after six fraught years, Mr John Major, the Conservative prime minister, will have to overturn an opinion poll deficit that has never been as consistent or as wide.

Mr Tony Blair, the Labour leader, will be asking voters to opt for an unknown quantity and to abandon the Conservative party they supported in 1992 when thay had considerably less disposable income.

They will be asked to back an alternative portraying itself as both safe and radical. For all its talk of a dislocated society and ruined economy, Lahour haa hijacked many Tory articles of faith that it has derided for so long.

Tha Conservatives' difficulty is even more acnte. They are asking voters to restore to power a party at war with itself over Europe, and some of whose prominent members have been embroiled in "sleaze" scandals. They have spent the past year trying to work out – with, so far, no apparent success – how to attack Labour. The line they settled on is a hybrid – New Labour, New Danger. This seeks to demonstrate that, while it has shed mucb of the old baggage, Labour is at least as dangerous as before, especially with its plans for constitutional change.

So far, in spite of a poster campaign paid for by donations the Tories refuse to disclose, the message appears not to be getting across.

Tory strategists doggedly insist that the 15 per cent to 25 per cent deficit is not as large as claimed.

"The polls have been sloppily conductad," said a senior official. "They reflect nebulous calls for change, but without asking 'a change to what?' That's what we're going to be doing during the campaign, confronting people with the consequences of such a change."

Mr Major will project himself as the leader who – for all the mistakes and problems of the past six years – is best equipped to steer tha country into the 21st century.

The official Tory alogan, unveiled last Saturday by Mr Major, is "you can only be sure with the Conservatives". To some, that seems cumbersome: to others, desperate.

Mr Blair has yet to produce his one-line riposte. Labour's clarion calls so far have been "enough is enough" and "time for a change". Ever since Mr Blair became party leader in 1994, he and his hardened advisers have sought to close off the flanks to attack hy re-engineering policy to appeal to the apolitical "average" voter.

Mr Blair will be tempted during the protracted campaign to play it steady. His aim will be to avoid the mistakes of his predecessor, Mr Neil Kinnock, who is now the European Union transport commissioner.

During the run-up to the 1992 election, Labour went in to that battle a few points ahead, but gava the impression at its final rally that it was certain to win.

Mr Blair has consistently warned colleagues against complacency, against talk of landslides. Snch talk may alienate floating voters who need to be cajoled gently into the polling booth with reassurance that a Labour government will show no signs of bombast or arrogance.

At tha same time, he is worried by apathy, by a perception that "they are all as bad as each other". To vote for Mr Blair requires an element of idealism, to believe in the ability of politicians to engender real change.

Mr Major, to burst the Blair bubble, is the one who will have to spring the surprises. Ironically, for a leader of a party in such disarray, whose typical rank and file member is near retirement age, the prime minister has little to lose. Ha can blame defeat on his fractious party. Mr Blair has all the pressure of a leader who has dragged his party kicking and screaming into the centre ground and for whom defeat would spell ignominy.

Conservative strategists believe they can "expose" Mr Blair as sballow and "smarmy", ready to promise anything to anyone, just to get into power. They will contrast his hourgeois private-school background with Mr Major's humbler origins – "honest John versus phoney Tony".

A senior aide to Mr Blair dismissed the Tory strategy as counter-productive. "There's absolutely no evidence that a long campaign will suit the Conservatives. It gives us more time to say what we will do. In any case, all polling data show Tony is ahead of Major in all categories – sexes, classes, policies."

Mr Major famously said that he would go at a time of his own choosing. He confounded tha odds by standing down as Conservative party leader in 1995 and fighting off a challenge from Mr John Redwood, who resigned as a minister in Mr Major's government to challenge him for tha party leadership.

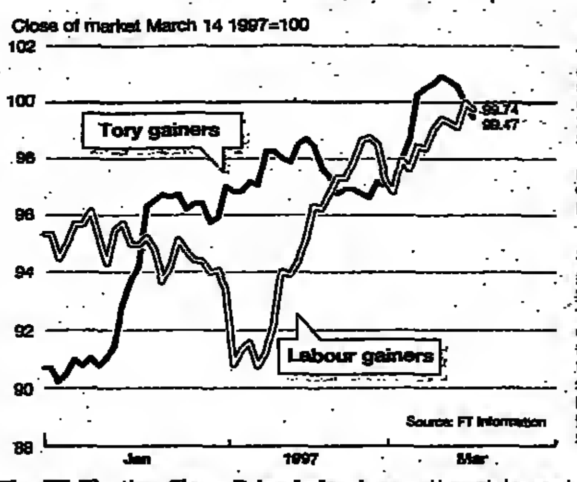
Labour now hopes that by staying for almost the full length of his term, Mr Major has forsaken the one weapon left in his armoury – surprise.

There is a clear precedent. Late in 1978, Mr James Callaghan, the Labour prime minister, delayed calling an election and had to endure a "winter of discontent" involving disruption by trade unions on a scale not since experienced in Britain. Ha called the election in 1979 and was crushed by the Conservatives led by Mrs Margaret Thatcher.

Labour strategists believe the latest "mad cow" scandals will he Mr Major's equivalent of the "winter of discontent".

"He will live to regret not having gone to the polls earlier," said a Labour official.

### FT election share price index




Shares which would gain from a Tory win/Labour defeat

| | |
|---|---|
| United Utilities | Labour windfall tax |
| BAA | Lab windfall tax |
| Sears | Lab social chapter/minimum wage |
| Courtaulds Textiles | Lab social chapter/minimum wage |
| Perpetual | Tory pension plan |
| Stagecoach | Possible Lab tighter transport regulation |
| ICI | Stronger sterling if Lab enters Emu? |
| BSkyB | Tighter Lab regulation, tougher taxes? |
| Cable & Wireless | Cable business hurt by possible Lab/BT links |
| BAe | Risks in Lab defence review |

Shares which would gain from a Labour win/Tory defeat

| | |
|---|---|
| BT | Lab pact on broadband net |
| BPB | Looser curbs on council housebuilding |
| Tarmac | Lab may accelerate PFI |
| 600 Group | Possible tax breaks for cap investment |
| Unilever | Possible Lab rapprochement with EU |
| Utd News & Media | Close association of CEO with Lab |
| Scottish TV | Franchise entrenched by devolution |
| British Steel | Traditional Lab bias towards manufacturing |
| Land Securities | Traditional Lab bias to tighter planning curbs |
| Select Appointments | Poss Lab employment partnership with private sector |

*The FT Election Share Price Index* is an attempt to capture movements in stock market sentiment during the election campaign. It consists of two sub-indices: one of ten shares that might be expected to gain from a Labour defeat/Conservative victory; the other of ten shares that might benefit from a Labour win/Conservative defeat. The index will be published at intervals once the formal campaign is under way next month. The selection of stocks reflects the consensus of City of London opinion. Experience from the 1992 election suggests that the index provides an intriguing snapshot of sentiment but should not be taken too seriously. Its movements should be seen in relation to the overall market trend.

The chart shows how the sub-indices have moved since the beginning of the year. During this period, the FTSE 100 index has risen 6.2 per cent. The indices are unweighted, so a 1 per cent rise in any constituent is reflected in a 0.1 per cent rise in the sub-index of which it is a part. Share prices at the close of business on Friday March 14 are set equal to 100. Stock selection is the responsibility of the FT.

### 16th election since second world war

1945 Wartime coalition prime minister Winston Churchill (Conservative) ejected in Labour landslide; in late 1940s Labour government nationalises rail and power industries and establishes National Health Service with free treatment for all

1950 Labour survives with much reduced majority

1951 At age 77 Churchill wins his first general election as party leader, even though Conservatives win fewer votes (48 per cent) than Labour (48.8 per cent)

1955 Sir Anthony Eden wins shortly after succeeding Churchill as party leader. In 1958 Britain declines to join the six nations which form European Economic Community

1959 Harold Macmillan gains big Conservative majority with slogan "You've never had it so good"

1964 Labour led by Harold Wilson wins with narrow majority after deriding "13 wasted years" under Conservatives

1966 Wilson wins again with much bigger majority. In 1969 British troops are sent to N Ireland

1970 Conservative leader Edward Heath confounds pollsters by unseating Labour government. 1973, Britain joins EEC at same time as Denmark and Irish Republic

1974 Labour wins two general elections, increasing majority at second; in 1975 Margaret Thatcher unexpectedly beats Heath to Conservative party leadership. 1978-79 sees serious trade union unrest in "winter of discontent"

1979 Thatcher wins her first general election. 1982, Falklands war with Argentina

1983 Thatcher wins again with bigger majority

1987 Thatcher wins third term. Neil Kinnock becomes Labour leader

1990 Thatcher ousted as Conservative leader and [illegible]

# Labour rejects business fears on trade union powers

By Robert Taylor, Employment Editor

Labour leader Mr Tony Blair has refused to drop his party's plan to give trade unions new legal powers of recognition in the workplace despite pressure from business leaders who fear it would mean a return to the destructive industrial relations of the 1970s.

Mr Blair has told employers he will not retreat from his commitment. "We are not going to change this policy. There will be no back-tracking," said one senior party official yesterday.

Under Labour's policy, the details of which will remain secret until after the election, employers would be legally required to recognise and bargain collectively with a trade unlon "where a majority of a relevant workforce" in a ballot wanted it to represent them. At the moment, employers are not legally required to recognise unions even if most of the workers want one.

The bargaining agenda would cover pay, hours, holidays and training and would be extended to other issnes if there was "mutual agreement" between an employer and union. Companies could face fines if they refused to comply with the recognition laws.

The introduction of compulsory recognition would hit several industries which benefited from trade union reforms during Mrs Margaret Thatcher's term as prime minister in the 1980s. They include the newspaper industry, the docks and sections of the oil industry.

Mr Blair's determination to stand hy the policy has delighted unlon leaders but alarmed employers who fear his decision could herald a return to strikes and threaten their freedom to manage.

Mr Adair Turner, director-general of the Confederation of British Industry, said: "Good employee relations should be built on trust and this is not best fostered if collective bargaining has been imposed on an employer by a trade union. Collective bargaining can work where it has two willing partners, bnt not where there is only one."

The Engineering Employers Federation has also warned the Labour leader that its member companies are "alarmed". Mr David Yeandle, the EEF's head of employment affairs, said:- "It is the most important issne directly facing our member companies if Labour is elected, much more than tha national minimum wage." A Labour official said: "Employers . . will learn to live with it."

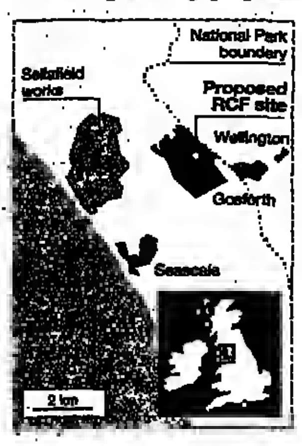
**NEWS: UK**

## Irish criticisms find echo
# Proposal for nuclear dump is rejected

By Michael Peel in London

Plans for an underground laboratory to investigate the safety of a proposed £1.9bn ($3bn) long-term nuclear waste dump at Sellafield in north-west England have been thrown out.

Mr John Gummer, the UK environment secretary, yesterday dismissad Nirex's appeal against Cumbria County Council's refusal to grant planning permission for the laboratory. Nirex is the state-owned company set up to manage disposal of intermediate and low leval nuclear waste. Mr Gummer said the planning proposal was flawed by poor design and scientific uncertainties.




Nirex was set up by the nuclear industry in 1982 to dispose of low and intermediate-level nuclear waste. It wanted to build the £200m ($318m) laboratory, known as the Rock Characterisation Facility (RCF), to test whether the area would have been a suitable site for dumping intermediate-level waste.

Mr Gummer gave three reasons for refusing the appeal, saying each of them provided sufficient grounds for dismissing the application. He said the planned development was technically deficient and that Nirex did not have a full understanding of the hydrogeology of the area.

He agreed with the findings of a public inquiry – that the process of construction of the RCF could have damaged the planned site of the dump.

The facility would have had an adverse effect on the surrounding Lake District National Park, he said. The surface elements of the laboratory were badly designed.

Mr Gummer echoed criticisms mada by the government of the Republic of Ireland concerning the process of site selection when be said the company did not appear to bave made the choice in an "objective and methodical manner". The Irish coast is about 250km from Sellafield.

Nirex bas not released details of assessmants of other potential sites and the Irish government has lodged a complaint with the European Commission accusing the company of contravening EU directives on the transparancy of decision-making.

Environmental groups had opposed plans for the new facility at Longlands Farm, near the nuclear processing plant at Sellafield.

"At the original inquiry we put up seven leading scientists who found flaw after flaw in the plans," said Dr Patrick Green, senior nnclaar campaigner for Friends of the Earth, the environmental pressure group.

Nirex said it wanted to review the inquiry report and Mr Gummer's decision before deciding on its next move. "Nirex's remit is to find a disposal route for intermediate level radioactive waste," it said. "We are obviously very disappointed at the result of the planning inquiry."

The Rover Freelander, the BMW offshoot's new small four-wheel-drive vehicle, was revealed yesterday. Prodnction at Land Rover's plant is expected to reach 70,000 vehicles a year.

# Car sales record predicted

Demand for new cars in Britain next year could match the record 2.3m of 1989, Professor Garel Rhys of Cardiff Business School predicted yesterday, John Griffiths writes. Prof Rhys is motor industry adviser to the House of Commons trade and industry committee. He said a rise of 10 per cent in 1997 on last year's sales was a "real possibility."

His prediction was more bullish than that of the Society of Motor Manufacturers and Traders, the motor industry's trade body, which reported that registrations of new cars in the first two months of this year reached 369,671, up 5.4 per ceot on a year before.

The statistics for February sbow that Ford's leading market share continned to come under increasing pressure. The company is not, however, facing a strong single challenger. It is suffering primarily from market gains being made by a broad swathe of importers.

### Imports boost market share

| REGISTRATIONS OF NEW CARS | Feb 1997 Volume | Change % | Share % | Feb 96 Share % |
|---|---|---|---|---|
| Total Market | 162,887 | 2.4 | 100.0 | 100.0 |
| UK Produced | 56,297 | -5.8 | 34.6 | 37.6 |
| Imports | 106,590 | 7.4 | 65.4 | 62.4 |
| Japanese makes | 23,105 | 12.3 | 14.2 | 12.9 |
| Ford group | 27,524 | -19.3 | 16.9 | 21.4 |
| Ford | 26,753 | -20.3 | 16.4 | 21.1 |
| Jaguar | 771 | 46.6 | 0.5 | 0.3 |
| General Motors (1) | 23,307 | -8.4 | 14.3 | 16.0 |
| Vauxhall | 22,054 | -8.0 | 13.5 | 15.1 |
| Saab | 1,253 | -13.8 | 0.8 | 0.9 |
| BMW group | 21,435 | 2.5 | 13.2 | 13.2 |
| BMW | 4,780 | 11.5 | 2.9 | 2.7 |
| Rover(2) | 16,655 | 0.1 | 10.2 | 10.5 |
| Peugeot group | 18,992 | 14.3 | 11.7 | 10.4 |
| Peugeot | 13,784 | 19.2 | 8.5 | 7.3 |
| Citroen | 5,208 | 3.1 | 3.2 | 3.2 |
| Volkswagen group | 13,208 | 9.8 | 8.1 | 7.8 |
| Volkswagen | 8,048 | -0.6 | 4.9 | 5.1 |
| Audi | 2,818 | 36.9 | 1.7 | 1.3 |
| SEAT | 1,232 | 21.1 | 0.8 | 0.6 |
| Skoda(3) | 1,110 | 26.1 | 0.7 | 0.6 |
| Renault | 13,422 | 16.6 | 8.2 | 7.2 |
| Nissan | 6,075 | -16.9 | 3.7 | 4.6 |
| Toyota | 5,955 | 36.6 | 3.7 | 2.7 |
| Fiat group | 7,036 | -5.3 | 4.3 | 4.7 |
| Fiat | 6,689 | -6.0 | 4.1 | 4.5 |
| Alfa Romeo | 347 | 10.2 | 0.2 | 0.2 |
| Volvo | 3,376 | 38.9 | 2.1 | 1.5 |
| Mercedes-Benz | 3,361 | 18.0 | 2.1 | 1.8 |
| Honda | 4,413 | 13.3 | 2.7 | 2.4 |
| Mazda | 2,813 | 61.1 | 1.7 | 1.1 |
| Korean makes | 4,647 | 57.3 | 2.9 | 1.7 |

1. GM holds 50% of Saab Automobile and has management control
2. Includes Range Rover/ Discovery 3. VW holds 70 % of Skoda and has management control
Source: Society of Motor Manufacturers and Traders

# GEC confirmed for submarine contract

By Tim Burt in London

The Ministry of Defence has announced a £2bn ($3.18bn) order for three new Trafalgar class submarines for the Royal Navy and hinted it could spend another £1bn on a further two vessels.

The order has been placed witb GEC-Marconi, the defence arm of General Electric Company. It is expected to be the last big defence contract announced before the May 1 general election.

GEC, which will build the vessels at the shipyard of VSEL, its defence subsidiary, in Barrow, north-west England, has been awarded *prime contractor status* on the project, making it the first warship builder to take responsibility for design, manufacturing and in-service support.

It secured tbe order in competition with VSEL, which launched a rival bid before being acquired by GEC for £835m in 1995.

Ministry officials said GEC had won the contract partly because of its innovative production methods, involving plans for modular assembly of the 6,000-tonne submarines, and because of the superior nuclear power technology of its subcontractors.

The reactor cores on the submarines, to be called the Astute Class, will be among the first in the world that will not need refuelling during their 25-30 year lifespan.

Scientists in tha US are thought to be developing similar technology for the US navy, but the Astute vessels could be *the* first in service when they are delivered in the middle of the next decade.

The technology is expected to lead to significant cost savings, as refuelling and refitting Britain's existing nuclear submarines can keep them out of service for 18 months.

Work on the contract is expected to sustain about 7,000 jobs at GEC-Marconi and subcontractors including Rolls Royce, BAeSema and Tbomson-Marconi Sonar.

Tbe submarines will replace the five existing Swiftsure class vessels, which will gradually be withdrawn from service over the next 10 years.

The ministry emphasised that the Royal Navy's complement of 12 nuclear-powered submarines would be maintained.

# Energy official admits errors over sale

By Michael Peel

Dr Derek Pooley, chief executive of the United Kingdom Atomic Energy Anthority, admitted yesterday that the company had made misjudgments in the sale of the its facilities services division.

Giving evidence to the House of Commons Public Accounts Committee, Dr Pooley blamed the increased costs on inexperience and the tight timescale set for the sale.

The costs of £3.1m ($4.9m) were 24 per cent higher than expected and accounted for more than 25 per cent of the sale proceeds.

Dr Pooley faced heavy criticism over his decision to offer £4.4m of consultancy work connected with the sale to Coopers and Lybrand, the accountancy firm.

"It clearly would have been better if we had taken the time to seek competition, but I am not convinced that the taxpayer would have achieved better value for money as a result," he said.

The consultancy costs of £2.2m were £300,000 higher than expected. This was largely due to a payment of £149,000 made to a Coopers' secondee for seven months of work as temporary manager of the division.

"We did not wish to recruit anyone because we did not have a future home for them," said Dr Pooley.

Vendor costs were £600,000 higber than expected becanse of a 340 per cent increase in the costs of reporting accountants. Binder Hamlyn were appointed on a fixed price contract following a competition against a standard specification for the work. Costs eventnally totalled £709,000 against a hudget forecast of £161,000.

Dr Pooley said: "We were over-optimistic about prodncing the data that was required for the work.

# Big stores unleash music CD price war

By Alice Rawsthorn in Londnn

A price battle has erupted in the music market as retailars respond to aggressive album price-cutting by Tesco and Safeway, the supermarket chains.

Pricing is a sensitive issue in the UK music industry, which has seen tha damage caused to US record labels by aggressive discounting by North American retailers.

Safeway in the UK is this week offering any two Top 10 albums for £20 ($31.80). The standard price range is£11.99 to £15.99 for chart albums. Like other supermarket companies, Safeway has increased the amount of salcs space it devotes to albums and singles over the past year.

The Safeway campaign follows a price promotion by Tesco last week. Tesco advertisements claimed it was selling five albums, including U2's *Pop* and the Spice Cirls' *Spice*, for £2 less than W.H.Smith and Woolworth.

Woolwortb immediately reduced thc price of two of the five albums in line with Tesco's, selling *Pop* for £11.99 and the Manic Street Preachers' *Everything Must Go* for £10.99. It is considering formal action against Tesco, alleging that the latter's advertisements overstated Woolworth's prices for *The Hits Album 1997*.

Asda, one of tbe first supermarkets to move into the music market and now operating music departments in 205 of its 212 stores, slashed the price of all five albums cited in Tesco's advertisements to the same level as its rival.

"If the supermarkets conduct a price war among themselves, it would be unfortunate," said Mr John Preston, chairman of BMG Entertainment, one of the UK's largest record companies. "But the situation will become more serious if the rest of the music trade responds."

**ECONOMY** • by Canute James

# A tax haven with greater attractions

## Despite a narrow economic base, the colony has several reasons for optimism

Mr George McCarthy, the Cayman Islands' financial secretary, is confidently predicting more of the same for the economy. "The economy expanded by between 4 per cent and 5 per cent last year, and we are anticipating expansion of about 6 per cent this year," be says.

"As is to be expected, the growth continues to be mainly in tourism and the financial services, the main sectors of the economy.

"On the fiscal side, ws had another surplus last year, and we expect another this year," Mr McCarthy says.

Tbe Cayman Islands' transformation over the past 40 years from an economy that was based largely on fishing and turtle farming into one of the world's leading offshore financial centres and holiday resorts has been encouraged by a consistent economic policy. There are no direct taxes or exchange controls.

Frequently upgraded legislation has taken the territory far beyond its earlier attractions as a tax haven. Political stability and a close link to the United Kingdom through the Cayman Islands' crown colony status, bsve also been of significant benefit, say officials and business leaders.

Tourism is the main pillar, with increasing volumes of cruise ship and stay over visitors, mainly from the US, bnt with rising numbers from Canada and other Caribbean countries. Just over 1.1m tourists visited last year, contributing three quarters of the territory's foreign earnings.

The financial services sector is based on just under 600 banks and trust companies registered in the territory. These include almost all of the world's top 50 banks. More than $500bn (£306.7bn) in banking assets and more than $100bn in mutual funds is domiciled in the Cayman Islands.

The territory is also a growing centre for captive insurance. The number of company registrations grew by 11.6 per cent last year to reach 37,918.

However, the economy, narrow and open, is vulnerable to forces outside the territory's control. Tourism, traditionally cyclical, is protected from an often wildly fluctuating market by a deliberate policy of offering the islands as resorts for the wealthy, but no strategy on eartb can eliminate the threat of hurricanes, which have devastated some Caribbean resorts in recent years.

External political forces can be equally worrying. "Our financial services sector is vulnerable to ths policies of other governments," says Mr David Bird, president of the Cayman Islands Chamber of Commerce.

"Financial centres thrive on tax planning. We could be adversely affected if foreign governments change their taxation policies and rednce their tax levels."

The expansion of the economy is supported by well devsloped infrastructurs, although there are concerns in the business sector about the future adequacy of water and of sewerage.

"The infrastructure is very good," says Mr Brian Balleine, managing director of Royal Bank of Canada Trust Company. "There are no power cuts and telecommunications are excellent."

There are, however, some concerns about the cost of doing business in the Cayman Islands. Electricity and telecommunications expenses are comparatively high, as is the cost of labour, some of which has to be imported because of a local shortage.

"As in any other market situation, if there is a shortage, the price goes up," says one banker. "The power and telephone companies have to install modern facilities, but they have a small market, and they must recover on their costs."

The cost to businesses is expected to increase when legislation is implemented for pension and health insurance programmes. The business community supports the government's plans for these programmes, says Mr Bird, although they will be expensive.

There is little doubt that to many the price will be worth paying. Says the banker: "It may be costly, but we would not be doing business here unless it were competitive."

There is little hope of a meaningful diversification of the Cayman Islands' economy. Agriculture is limited by a lack of cultivable soil and also has to contend with high labour and land costs. Citrus fruit and mangoes and bananas are produced in limited quantities, as are soms vegetables, for domestic consumption.

A small light manufacturing sector also produces only for tbe domestic market. Building materials, such as blocks and tiles, and furniture are produced in limited quantities and are used in the construction sector, which has been expanding rapidly with the erection of several large commercial buildings, including botels. Home construction is also expanding.

"There is a boom in construction, but we are running out of property to sell," says Mr Brian White, president of Cayman Islands Real Estate Brokers Association. There is little left on the famed Seven Mile Beach resort. "Seven Mile Beach property costs about $30,000 per foot of beach frontage. If it is not on the beach it falls to between $4,000 and $15,000 per foot.

"Property prices are high, but the economy is doing well so this cushions the concern."

Mr McCarthy's expectations of repeated fiscal surpluses are based on a continuation of the government's heavy reliance on revenues raised from import duties – supported by licence and registration fees, taxes on the tourism sector and stamp duties.

George McCarthy: 'anticipating expansion of 6 per cent'

**POLITICS** • by Canute James

# Revolution? No, thanks

## Radicalism and bitter division are alien concepts to both voters and politicians

A political drama is being played out in the courts in the Cayman Islands. Ms Berna Thompson-Murphy, a loser in last year's elections for the district of George Town, has brought a petition to nullify the election of Mr Linford Pierson. She claims that he made "false and illegal" statements about her and other candidates during his campaign.

Ms Thompson-Murphy'e lawyers argue that the statements caused her to lose the election. She was one of only two members of the incumbent National Team to have lost a seat. Grand Court Justice George Harre, in adjourning the hearing until next month agreed with Mr Pierson's attorneys that if the MP's election were declared null and void, a by-election would be beld.

The case pre-occupies the local media but the decision is unlikely to affect the administration of the territory and politics in general. "This is the most political excitement we have had here for many years," says one banker. "This is how we like our politics and our politicians. Quiet, unobtrusive, and with very little involvement in tbe way ws do things here."

His views are echoed by Mr William Walker, of law firm W.S. Walker. "Politicians do not know anything about offshore finance, so they are smart enough to leave it alone. Once in the past one tried unsuccessfully to intervene."

Generally, personalities rather than issues dominate Caymanian politics. This is the result of two factors. Firstly, few Caymanians are keen to change significantly ths 1972 constitution on which the current administration of the crown colony is based. A move, seven years ago, by backbenchers to allow members of the legislative council the power to remove the executive council led the government to ask for a review of the constitution. However, after some rethinking the commission was scrapped.

But there have been some amendments. The Cayman Islands was made a dependency of Jamaica in 1863, but chose crown colony status in 1962 after Jamaica voted for political independence. Under a constitution implemented in 1972, increased responsibility for administration was placed in the hands of elected representatives.

Changes in 1993 led to a ministerial system of administration and an enlargement of the executive council to five members. The council is chosen from the elected representatives in the legislative assembly and includes the financial secretary, the attorney general and the administrative secretary. The executive council is responsible for the territory's administration.

"There are no major differences in politics and in political philosophy in the Cayman Islands," says Mr Brian White, president of Cayman Islands Real Estate Brokers Association, who unsuccessfully contested the past two elections. "Politicians are all agreed on what is to be done, and the arguments are really about how it should be done."

Indeed, it could be argued that the Caymans was only introduced to the concept of party politics relatively recently. Elections were once contested by "teams" of individuals who had a common cause rather than by firmly allied bodies. The incumbent National Team was returned in the November 20 elections with 11 of the 15 seats in the assembly. It wae challenged by the Democratic Alliance and Team Cayman.

Welding together both politicians and their constituents is the consensus that the territory's crown colony status is the best option, and that any change towards political independence is undesirable.

Links to the United Kingdom provide "stability and security" – which are important to the offshore financial services sector, say business leaders.

"Advocating independence is political suicide," says Mr White. "Everyone accepts that this would be a bad thing. We basically run our own affairs. We have differed with the UK on some issues, such as capital punishment. We wanted it and the UK said no."

Caymanians say they are guided by what they see in other parts of the Caribbean. Nationalism and political independence have led to economic and social disorder in neighbouring countries, they contend. They say that stability is important to the economy. It will not be served by the trenchant and divisive politics, labour agitation and economic uncertainty that has been the lot of politically-independent neighbours.

"Rather than discussing independence, politicians consider the hot political topics to be social security and pension schemes," says Mr Brian Balleine, managing director of Royal Bank of Canada Trust Company. "For financial services, it is a selling point that the Cayman Islands is a crown colony. This does attract people and money here."

Despite the attention the case attracts, Judge Harre's ruling on Ms Thompson-Murphy's petition will not change politics in the Cayman Islands.

"Whether her argument is upheld or not, and whether there is a by-election and someone else is elected, is immaterial to life here," says tbe banker. "Nothing will change, and that is bow we want it."

# Tourist industry hits saturation point

Continued from page 1

more like an offshoot of Miami. Dotted with US fast-food chains and clogged from nine to five with traffic, the island's best known tourist spot is in danger of losing its charm.

The influx of wealthy US retirees and highly-paid expstriate workers bas unleashed a property boom that many locals fear will price them out of the market. With the race on to develop "mega cruise ships" with e capacity of up to 5,000 passengers, Caymanian tourist officials admit that time is running out for them.

"Unless we do something quickly, tourists will start to look elsewbere for the seclusion they are seeking," says Mr Douglas Tardif at the Caymans' department of tourism.

"We want to attract higher-spending tourists but in smaller numbers."

Despite the upbeavals that development has brought, the island's political system remains as tranquil as ever. Unlike Bermuda, where there have been some rumblings about independence, Caymanians remain strongly in favour of maintaining ties with Britain. Locals recognise that the island's colonial status gives the financial sector an extra layer of stability. The absence of taxes also helps to dampen resentment at the colony's exorbitant cost of living.

"The Cayman Islands has one of the highest per capita incomes in the world and no taxes whatsoever," says Mr Bill Walker, a lawyer based in the Caymans since 1965. "Success always brings problems with it such as higher prices, but everyone has a job and everyone is well-paid. That is what they value the most."

FINANCIAL TIMES SURVEY Tuesday March 18 1997

# The Cayman Islands

The colony is trying to lose its image as a conduit for suspect money, write **Edward Luce** and **Canute James**

## Paradise under pressure

Leading figures in the Cayman Islands are fond of saying that the Caribbean tax haven has put the murky side of its past behind it. Reputed, like many other offshore financial hubs, to be a conduit for drugs monay laundering and a magnet for tax evaders, the British colony has always attracted critics.

Like most other offshore centres, it has come under strong pressure from onshore countries, especially the US, to jettison its banking secrecy laws and open its books to outside authorities. But unlike many other tax havens, it has been making efforts to meet its detractors halfway.

Financial officials in the Caymans say that the territory's self-regulatory system is among the most effective in the world. The enforcement of the mutual legal assistance treaty with the US in 1990 and the enactment of the UK's "proceeds of criminal condnct" law in 1996 have won grudging praise from the authorities in Washington.

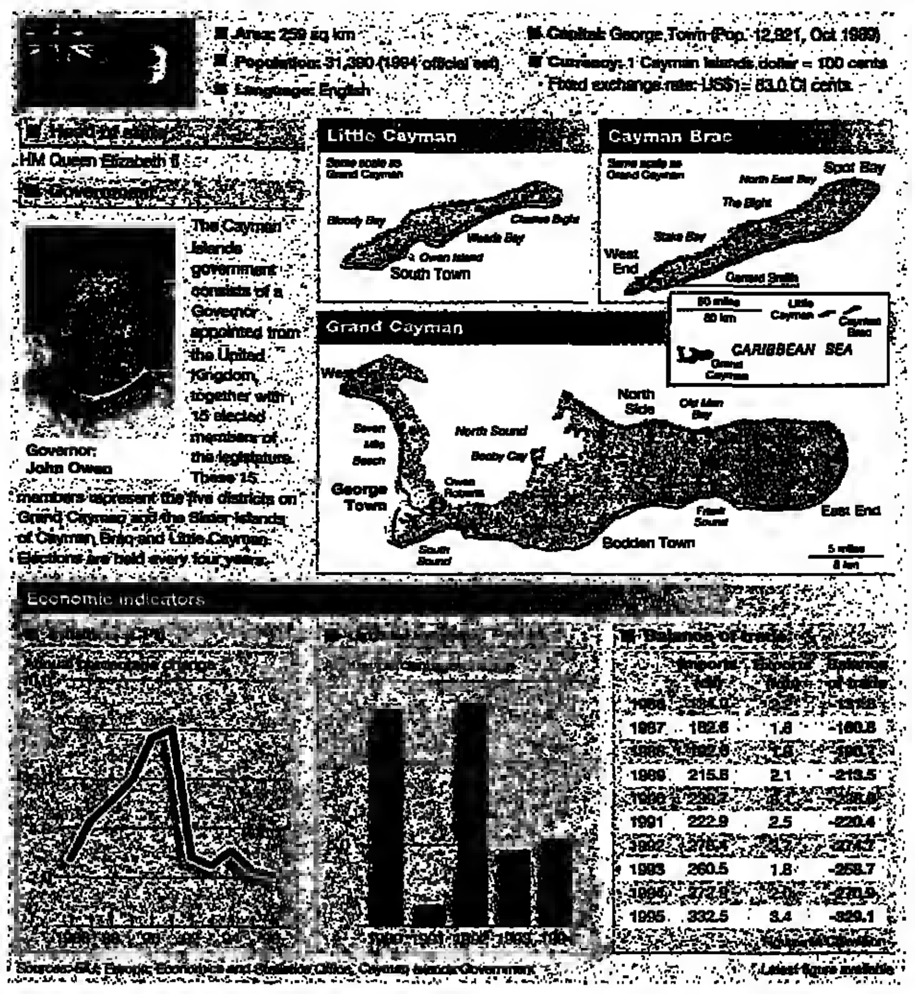
"We have built up a very good relationship of co-operation with the US," says Mr John Owen, governor of the Cayman Islands. "The image of the Caymans as a centre for dirty money is long out-of-date – assuming it ever had any truth to it."

The mutual assistance treaty, which enables exchange of information between the Caymans and tha US in pursuit of the perpetrators of commercial crime, has had some effect in improving the colony's reputation. But US officials say that the provision, which does not extend to tax crime, could go further.

Bankers in the Cayman Islands say that the US would only be satisfied if the colony abolished its confidentiality law altogether. The law makes it a criminal offenca (as opposed to the civil offence it is in most countries) for banks to disclose information about their clients.

The Cayman government maintains that its self-regulatory system, which puts the onus on banks to carry out "due diligence" tests on their clients, is the most efficient monitoring method available. Officials argue that it works because the colony only licenses banks that can demonstrate that they are effectively regulated in their domestic base.

In addition, they point out that capital adequacy ratios in the Caymans are stricter than in most other countries. Banks in the colony must set aside 12 per cent of their capital against risk as opposed to just 8 per cent under the Bank of International Settlement's regulations. The need for more "intrusive" regulations, say Cayman officials, is therefore redundant.




"In the US, the Internal Revenue Service (IRS) can poke into anyone's bank account at almost any time," says one banking executive in the colony. "If we adopted similar legislation we would not only be cutting our own throats but we would also be directly in breach of English common law."

Police officers in the Cayman Islands say that the criminal justice act, which came into effect last November, has already had a salutary effect on the territory's financial sector. The law, which allows banks to alert the anthorities to "suspicious" transactions by clients without breaching the confidentiality law, has proved popular.

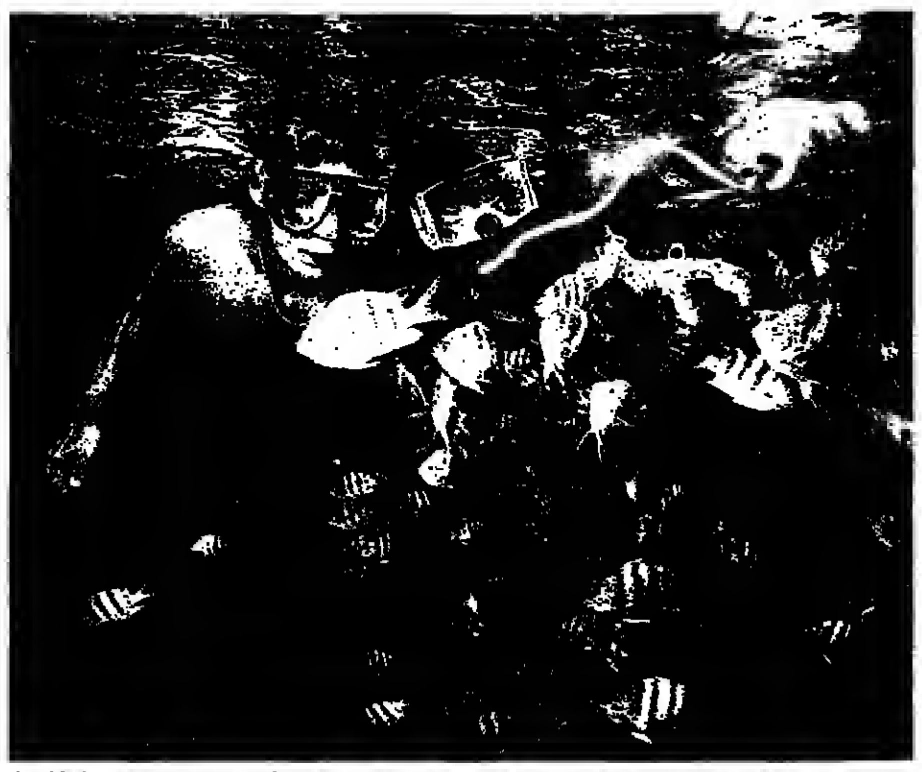
Until November, disclosures were restricted to drugs money laundering. Under the new law, which makes it a criminal offence for banks to conceal instances of money laundering, all offences, excluding tax crime, are covered. (As a no-tax economy the Caymans refuses to criminalise tax evasion.)

"We have seen the number of disclosures rise significantly since the law came into effect," says Detective-Inspector Brian Gibbs, head of the colony's financial crime squad. "We know most of the banks here are reviewing their accounts so we expect the number of disclosures to rise even further later in the year."

With more than US$500bn in banking assets and more than $100bn in mutual funds domiciled in the Cayman Islands, officials concede that it is inevitable that some of the capital flowing through the colony will be dirty.

According to government statisticians, however, about 90 per cent of the banking assets are defined as short-term inter-bank deposits. Less than 10 per cent, therefore, can be classed as conventional bank accounts or trust funds.

Despite this, a growing number of executives believe that the banking confidentiality law is fast outgrowing its usefulness for a financial centre that is increasingly dominated by insurance business, mutual funds and other non-traditional types of finance. The secrecy law is no longer the colony's main selling point, they say.



Troubled waters? The influx of tourists means the islands could lose their escapist image

Yet – rightly or wrongly – it continues to cloud the Cayman Islands' otherwise good reputation.

"Most of the business done here is institutional," says Mr Brian Balleine, managing director at the Royal Bank of Canada Trust Company. "For institutional business such as eurobonds or mutual funds, banking secrecy is irrelevant. The trend is definitely away from secrecy and towards quality of service."

As the fifth largest banking centre in the world and a leader in offshore debt issuance and securitisation, the colony's future hinges on its ability to compete with onshore rivals and stay ahead of its off-shore counterparts in the Caribbean.

The continued growth of the Cayman Islands as a financial centre therefore depends on whether it can maintain its reputation for political stability while providing some of the most innovative financial services available.

"We regard ourselves as a bona fide international financial centre in competition with centres like New York, London and Tokyo," says Mr Jurg Kaufmann, president of the Swiss Banking Corporation's Cayman office and president of the colony's banking association. "What investors want is a high-quality, one-stop financial shopping centre."

The inauguration of the Cayman Islands stock exchange earlier this year and the merger of the territory's currency board with its financial supervision office to create an autonomous monetary authority were designed for just those reasons.

The new monetary anthority, which will be headed by Mr Neville Grant, an adviser to the International Monetary Fund, will put the Caymans on an even-footing with unitary supervision bodies in other centres. By de-linking it from the civil service, it will also enable the colony to pay its regulators higher salaries.

"We plan to increase our supervisory staff by 50 per cent," says Mr Mitchell Scott, acting head of the body. "We are strongly aware of the need to have the best regulation we can get and to be able to carry out better cross-border supervision."

At the same time, the Cayman government is making efforts to improve the quality of its tourist industry – the other pillar of the territory's economy and its main source of employment. One of the most popular stop-off centres in the Caribbean for holiday cruise-liners, the Caymans attracted more than 700,000 passenger visits last year as well as 400,000 land arrivals. Tonrism accounts for 75 per cent of the economy.

Yet with a population of just 30,000, the sheer scale of tourist numbers is taking its toll on the island's culture and its fragile ecological system. Once a tranquil beachfront, the famous Seven Mile Beach is starting to look

Continued on next page

**SPECIAL PURPOSE VEHICLES** • by Edward Luce

# A happy business medium

## The SPV offers multinationals several ways to minimise taxes at their home base

Bankers in the Cayman Islands are fervently hoping that the UK will elect a Labour government at the general election in May. This, combined with the re-election of a Democratic president in the US last year, will ensure the money keeps rolling in, they say.

Although the bankers are in deadly earnest, the offshore centre's "salad days" as the first port of call for expatriated earnings are largely behind it. The drive towards lower taxes and lower public spending across the developed world has taken the shine off the offshore centre's traditional appeal.

Even in Latin America, once a lucrative source of flight capital for the Caymans, political reforms and the drive towards fiscal orthodoxy have undermined the colony's attractions as a secret bolt bole for wealthy individuals.

"The main source of business nowadays is in areas such as debt structuring, captive insurance and financial services for institutions," says Mr Bruce Putterill, an attorney at Hunter & Hunter in the Caymans. "The growth area is in providing services to big multinationals rather than to high net worth individuals."

Key to this development are special purpose vehicles – subsidiaries set up by international companies to carry out specific functions such as issuing a eurobond or leasing aircraft to airlines. The aim of the SPV, which is usually set up by a parent trust company also established in the Caymans, is to minimise corporate taxes in the home base.

Airlines benefit from tax-deduction by leasing rather than buying aircraft. This method, usually through a limited recourse company, has also been used to lease ships, trains, rolling stock and other capital goods.

Another use for the SPV is as a joint venture company between a multinational and its counterpart for emerging market projects. Enron, the US power company, for example, has set up numerous joint venture vehicles in the Caymans. Incorporation in the British colony enables the joint venture to minimise tax payments as well as providing the psychological advantage of being registered on neutral ground.

Companies wishing to reduce the tax burden of issuing debt set up SPVa to launch bonds in the Caymans. Proceeds from the bond can then be lent directly to subsidiaries elsewhere. Repayments of the loan reduce the multinational's tax bills and enable the vehicle to remain permanently viable. Of the 36,000 companies registered in the Caymans, a growing number fit this description.

"The Cayman islands is one of the world's leading domiciles for debt issuance," says Mr Andrew Moon, a partner at Maples and Calder, a law firm with offices in the Caymans. "Special purpose vehicles mean companies can avoid minimum capital requirements and other restrictions on debt issuance in centres like London or Luxembourg."

SPVs are also the incorporation of choice for companies wishing to securitise their assets. By issuing securities backed up by income from mortgages, credit card receivables, aluminium contracts or any other guaranteed income stream, companies can dramatically reduce their balance sheets. Again, the tax advantages of setting up a Cayman subsidiary to carry out securitisation have tempted many companies.

Thai car rental firms, Indonesian property developers and Japanese shopping centres have set up SPVs in the Caymans for this purpose. The colony is also carving a niche in private placements of asset-backed securities. "There's no one reason why the Caymans is the venue of choice for these types of bond issues," says one banker. "But its ability to continuously re-invent the company and improve financial structure is as good as any."

Another popular use for the SPV is for captive insurance, although this has been going on since the mid-1970s. The rash of lawsuits against US hospitals and doctors for medical malpractice in the 1970s pushed the cost of insurance premiums to exorbitant levels. This prompted many US hospitals to underwrite their own insurance by setting up captive insurance companies in centres such as Bermuda and the Caymans.

Although the Caymans has more than 400 captive insurance vehicles managing over US$6bn in assets, the colony still lags far behind Bermuda in the captive insurance industry. Local insurance advisers, however, say that it is beginning to attract captive insurers from the US in larger numbers. With a growing number of wealthy individuals and diversified companies underwriting their own policies, less than 40 per cent of captive insurance vehicles in the Caymans are now related to healthcare.

"The advantage of underwriting insurance in the Caymans is to avoid the often horrendously bureaucratic regulations in the US and to defer taxes until the capital is repatriated," says Mr Wayne Cowan, branch manager at Johnson & Higgins, a law firm specialising in insurance. "Companies also like to have the flexibility of controlling their risk policies and the premium rates they pay."

An increasingly popular type of vehicle is the deferred variable annuity, which enables rich individuals both to underwrite their own insurance and to invest their funds in tax-deferred sources of income.

Even more innovative is the single purpose re-insurance company, which is in effect a form of securitisation. By this method, an insurance company uses funds lent by a third party, usually banks, to create capacity for underwriting new business onshore. The insurance company then repays the banks with the proceeds from a 10-year bond issue that is backed up by the income stream from the policies it underwrites.

However complex the structure, though, the object is usually the same: tax deferral. In cases such as this, it makes little difference which party is in power in the US or the UK.





**COMMERCIAL CRIME** • by George Graham

# The 'cash courier' runs out of time

## Concerted efforts to purge the banking system of dirty money are paying off

When Mr David Carrad arrived in the Cayman Islands with a work visa and a letter from the deputy financial secretary confirming his employment as chief executive of the islands' new stock exchange, he thought opening a bank account would be a simple matter.

He soon discovered, however, that it was not. The bank required references before it would even consider his custom.

The caution reflects steps to eliminate criminal financial activities in the Caymans. A legal assistance treaty with the US, signed in 1986 and ratified in 1990, provides for the exchange of information between law enforcement agencies.

Legislation in 1992 made the laundering of drug money a criminal offence and obliged banks to report suspicious transactions. Last year, the Caymans followed that by extending its money laundering legislation to cover all serious crimes.

Detective Inspector Brian Gibbs, who served for 30 years with London's Metropolitan Police before setting up the Caymans' financial investigations unit in 1989, says he has received around 500 reports of suspicious transactions since the drug money laundering legislation came into effect.

Two local banks that had been involved in a series of US and Canadian investigations have been closed down. And bankers say it is now extremely rare for someone to arrive in their offices with a suitcase full of cash.

"We are proud of the fact that the new criminal proceeds law is a flag-flying operation. It states exactly what sort of business we are prepared to look at and what we are not," says Mr Peter Larder, managing director of CIBC Bank and Trust Co, a subsidiary of Canada's CIBC group and one of the Caymans' largest banks. "Smaller jurisdictions may not be ready to cast aside the more questionable kinds of business."

Cash couriers do still arrive – one was arrested recently by customs officers with $80,000 strapped to his body – but they are more likely to try to filter the cash through real estate agents or company managers than directly through a bank.

For some foreign governments, however, causes for concern remain. They centre on the bank secrecy laws.

"Law enforcement officers say their efforts are frustrated by the difficulty of obtaining timely information. It is arguable whether Cayman is any longer justified in saying that its position depends on bank secrecy," says Mr David Bickford, a former legal adviser to the UK's MI5 and MI6 intelligence agencies, who helped negotiate the Caymans' original legal assistance treaty with the US.

A few years ago, such a sentiment would have been almost heretical in the Caymans. Today, some are willing to agree that the secrecy laws may harm the islands' efforts to consolidate its image as a sophisticated financial centre rather than just a tax haven.

"Perhaps we have reached the time when the whole structure of the confidentiality legislation should be reconsidered. There are those who feel the Confidential Relationships law may now be doing a disservice to the Cayman Islands," says Mr Angus Foster, a senior member of the Cayman Law Society.

The law was enacted in 1976 in response to a series of attempts by US tax officials to extend their reach to the Caymans and other offshore centres. It does, however, contain procedures for information to be released to help criminal investigations in other countries.

"Our confidentiality legislation does not shield criminality. It defines the basis on which information should be shared. Anyone using it as a shield is deluded," says Mr George McCarthy, the Cayman Islands financial secretary.

But the Caymans' law, like extradition and legal assistance treaties elsewhere, requires requests for information to satisfy a "dual criminality" test. The investigation must target something that is not only a crime in the requesting country, but also against the law in the Caymans.

That rules out tax offences, since the islands has no direct or indirect taxes and therefore no law against tax evasion.

Bankers insist that their island ceased to be used solely because it was a tax haven long ago. In practice, most say they turn away clients who are obviously trying to evade taxes in the US, the UK and Canada because they are more trouble than they are worth.

Nevertheless, the US continues to be irked by the ease with which its taxes can be circumvented in the colony and in other offshore centres.

Whatever the future of the secrecy laws, Cayman bankers want to ensure that client confidentiality is protected.

As Mrs Jennifer Dilbert, former inspector of financial services and now executive director of Deutsche Morgan Grenfell in the Caymans says: "We should still remember that there are legitimate reasons for wanting some assurance of confidentiality – and that offshore centres are not the only ones offering that."

**FINANCIAL SECTOR** • by Edward Luce

# Light touch draws the big league

## Sympathetic regulation has created a magnet for the world's *institutions*

Spurred on by tha bull market in US equities, the Cayman Islands has transformed its business profile over the past few years. Once dominated by personal banking, the crown colony has rapidly become one of the largest domiciles for mutual funds in the world.

With more than 1,500 mutual funds registered in the Caymans, investing over US$100bn in the US and elsewhere, the dependent territory is comfortably the most diversified offshore centre in the region.

"The type of business we do here has altered dramatically in the last 10 years," says Mr Bill Walker, an attorney based in the Caymans. "In particular, the number of mutual funds based in the Caymans have sky-rocketed with the equally impressive growth of savings in the United States."

Lawyers based in the offshore centre say that most *mutual* funds are attracted to the Caymans by its light regulatory touch.

In many onshore centres, for example, regulations prevent funds from investing more than 10 per cent of their capital in any one company. In the Caymans, a mutual fund could invest 100 per cent of its cash in Afghan war bonds, if it wanted.

"In places like Dublin and Luxembourg, mutual funds are heavily burdened with regulations and other restrictions," says Mr Bruce Putterill, an attorney at Hunter & Hunter. "In the Caymans all you have to do is demonstrate that you are a legitimate business and the rest is up to you."

The availability of experienced accountancy and legal firms is also cited as a plus point over other offshore financial centres, such as the *British Virgin Islands* and the Bahamas. The "Big Six" UK accountancy firms and at least nine of the world's most important law firms have offices in the Caymans. The presence of 560 international banks and the absence of taxation in any form are also strong pulling factors.

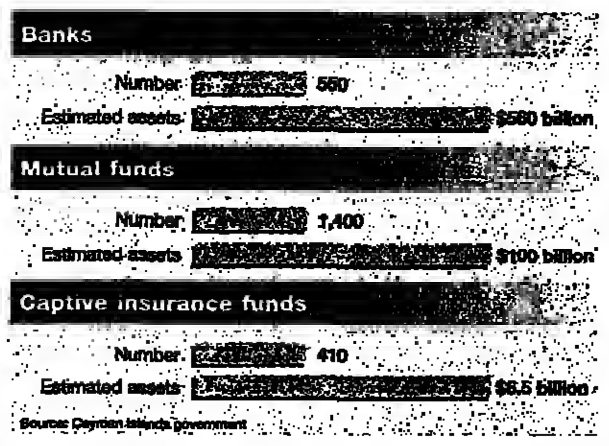
In an effort to remain competitive with its offshore neighbours in the Caribbean, the Caymans inaugurated a local stock exchange at the beginning of the year. The exchange, which is targeted primarily at mutual funds, has not yet received a listing. Nor, according to Mr David Carrad, acting chief executive of the exchange, is it in any hurry to do so.

"We are not setting ourselves any targets," says Mr Carrad. "Our priority is to ensure thet it is a high-quality stock exchange which will be trusted and beyond reproach to all thoaa involved."

In keeping with the territory's offshore status, there will be no stamp duty or transaction costs on the exchange. There will, however, be the requirement that listed companies comply with full disclosure.

The exchange, which will have its own page on Bloomberg, will charge $1,000 for a secondary listing and $2,000 for a primary listing. Listed companies will also be untroubled by specified redemption dates or diversification clauses. Few, however, believe that the Caymans' stock market will see much trading.

For reasons of transparency, most institutional funds in the US are debarred from investing in unlisted companies. This requirement has prompted 89 mutual funds domiciled in the Caymans to list in Dublin. Only a handful are ever traded. "We do not expect the funds already listed elsewhere to delist in favour of the Caymans," says Mr Carrad. "Some, however, may want secondary listings here but we are primarily expecting to attract unlisted funds."




With the naw stock exchange and little sign of a correction on Wall Street in the near future, bankers in the colony are expecting tha growth of mutual funds to continue at tha rate of recent years. The number of funds domiciled in the Caymans has doubled since 1994.

> 'We are primarily expecting to attract unlisted funds'

More significantly, they expect the degree of innovation and sophistication in the type of fund structured in the Caymans to continua to surprise onlookers. Under Cayman law, prospective fund holders hava a wide selection of vehicles to choose from.

US companies wishing to maintain tax parity with tha US for offshore funds can set up limited duration or limited life companies in the Caymans. This enables them to be defined as partnerships under US law and escape the tax burden that would fall on an unlimited company. It also enables them to attract European and other non-US investors wishing to invest in US equities without paying US capital gains tax. Other vehicles inclnde the unit trust, the limited partnership company and the limited liability company.

"Basically, you can set up any type of mutual fund you like with any purpose yon wish," saya Mr Joseph Keane, managing director of ABN Amro Trust in the Cayman Islands. "In the last year or two we have aeen a flowering of different types of fund."

Of the 480 Cayman-based mutual funds surveyed by Coopers & Lybrand in 1995, fewer than half were dedicated solely to equity investments. A proliferation of different vehicles, inclnding funds devoted to derivatives, mortgage-backed securities, foreign currencies and money markets, has been registered in the last two years. Funds dedicated to single country investment including Russia and India have also been established.

The territory's offshore tax status, however, places some limits on the growth of motual funds. US laws designed to protect the small investor and the sheer complication of managing a mutual fund from a remote offshore centre, effectively debars retail funds from setting up in the Caymans.

"Wa are a niche market for institutional investors and individuals of high net worth rather than the small investor," says Mr Sean Flynn, director of mutual funds at SBC in the Caymans. "What we offer institutional investors is freedom from red tape. In the US you have to fill up 10 forms just to do anything. Here, you can forget all that."

**BANKING** • by George Graham

# A client base to rival NY

## Why the Caymans is an offshore centre with decidedly onshore ambitions

Total assets held by Cayman Islands banks have grown from US$202bn to more than $500bn (£306.70bn) in the past 10 years.

By some measures that makes Grand Cayman the *world's fifth largest financial* cantre. With 47 of the world'a 50 largest banks now operating there, the island would appear to have made its mark as an offshore financial centre.

But Caymans' bankers have larger ambitions.

"The distinctions between an offshore and an onshore centre have started to blur. Wa are comparing ourselves more to places like New York and London than to other offshore centres," says Mr Jürg Kaufmann, executive director of Swiss Bank Corp's Caymans affiliate and president of tha Cayman Islands Bankers Association.

Many banks on the island started with private banking services to wealthy clients, including trust services.

"The great advantage of private banking is it is very consistent business. But the competition is not sleeping," Mr Kaufmann says.

Mr Gerald Williams, managing director of the Caymans operation of Coutts, the private banking arm of tha UK's National Westminster Bank, says that the robust legal system, bolstered by its status as a British dependent territory, has given the Caymans an edge in the trust world.

"If you have got a lot of money and you set up a structure that is designed to take advantage of certain legislation, you want to know that the courts will uphold that legislation in years to come," he says.

But clients are now looking for more than simply a robust trust structure.

"People are looking for wealth management. They don't come to us any more just for a trust," Mr Williams says.

Competition in the private banking market bas increased as entrants, such as Goldman Sachs, the US investment bank, bave set up.

But Mr Kaufmann notes that much of the business is channelled into the Cayman Islands from eacb bank'a international oetwork, so direct competition on the island is limited.

"If a client is referred to me by our representative office in Venezuela, say, there is no way a competitor could get to that client. Equally, I don't see how we could get into CIBC'a Canadian business," he says.

From private banking, the Caymans has moved into corporate business. Banks now handle large volumes of bond issues and apecial vehicles for atructured finance.

While the original allure for these vehicles was the absence of taxation, many now choose the territory for its lack of bureaucratic restrictions and for its legal expertise.

"The purely tax aspect for me is getting smaller and smaller," says Mr Kaufmann of Swiss Bank Corp.

"What makes Cayman attractive is the very unbureaucratic way of doing business. There is regulation, but it is not so detailed that you have to fight red tape all the time."

Mr Kaufmann says it would be possible for a fund manager or executive to arrive in the Caymans in tbe morning, visit a bank, an accountant, a lawyer and the monetary authority and complete business in time to catch the evening flight out – "if Cayman Airways had a flight in the evening."

Despite an image of catering only for wealthy non-resideots, many banks find some of their most profitable business is straightforward local banking.

"Our international side is actually the smaller part of our business," says Mr Peter Larder, managing director of CIBC Bank and Trust Co, a subsidiary of Canada's CIBC group and one of the Cayman'a largest banks.

The local banking system bas been dependent on cheques for payments, but an electronic network, the Cayman Automated Paymeots System, or Caps, is being set up to provide real time interbank payments.

Funded by Barclaya, CIBC and Cable & Wireless, the telecommunications group that has a base in the Caymans, the new system has drawn on *advice from* Bacs, the UK electronic payments clearing house. It will automate cheque and payroll processing, aa well as direct debits.

Mr Larder says he would also like it to handle settlemeot on the new Caymans stock exchange and anticipates that it will also serve as the backbone for any development of debit cards in the islands.

# TECHNOLOGY

**Marjorie Shaffer** looks at progress in the search for treatments for the disease

# Alzheimer's in mind

Some over-the-counter pain relievers, including ibuprofen, might reduce the risk of developing Alzheimer's disease by as much as 60 per cent, US researchers said last week.

A study by a team from Johns Hopkins University and the National Institute on Ageing seemed to hold out hope of a successful treatment for the memory-robbing disease, the most common form of dementia in the elderly. But it is not the only approach showing promise.

Alzheimer's is estimated to affect about 4m people in the US each year and kill 100,000. The number of victims is expected to increase sharply in the coming decades as the world's population ages. Although there is no cure, researchers are hopeful that they will soon find treatments to stem the deterioration in function caused by the destruction of brain cells.

"We are optimistic that we can do it," says Zaven Khachaturian of the Alzheimer's Association Ronald and Nancy Reagan Research Institute – Ronald Reagan, the former US president, has the disease. "We are sorting out the puzzles of this disease and we are moving at a dramatic pace."

Unfortunately, the field is littered with drugs that have failed to live up to expectations. Researchers for the latest study, the largest so far to involve anti-inflammatory drugs, warn against widespread use of ibuprofen to prevent Alzheimer's as it can lead to peptic ulcers and kidney damage. The study was based on medical records and was not a clinical trial.

Drug companies are developing more than 200 compounds that boost levels of key chemical messengers in the brain. The drugs may enhance memory and learning by improving the lines of communication in the brains of Alzheimer's patients. Clinical studies are under way to assess whether vitamin E can prevent brain-cell damage, and whether steroids can quell the inflammation that accompanies the disease. A combination of these approaches might further enhance cognitive abilities.

One of the more intriguing leads comes from recent studies of oestrogen, the female reproductive hormone. US studies suggest it might play a crucial role in memory and learning. The hormone is mostly made in the ovaries, but easily crosses into the brain.

The studies show oestrogen stimulates the growth of tree-like branches of brain cells called dendrites – which receive nerve impulses – and of tiny spines on the dendrites. It also appears to boost the level of the brain chemical acetylcholine, an important link to memory formation.

Science Photo Library

Memories are made of this: an Alzheimer's patient tries to improve her hand co-ordination

"In experimental animals deprived of oestrogen, the dendrites become far less branched and the spines retract," says Dominique Toran-Allerand of Columbia University, New York, who studies oestrogen's effect in the brain. Many brain cells connected to memory and learning also contain receptors, or docking areas, that are turned on by the hormone, she says.

In a recent study at the Veterans Medical Centre in Tacoma, Washington, oestrogen sharply improved the memory and concentration of a small number of women with Alzheimer's.

Twelve women were divided into two groups. Six received the hormone through a skin patch and the rest wore a dummy patch. Each subject did not know which group they were in.

Eighty-year-old Genevieve Mount was part of the study. "My mother had been in a complete cotton fog," says Kay Shaben, Mount's daughter. "Her mind was frozen in the 1970s. She thought there was still a gas shortage and didn't realise that all her grandchildren had grown up and had children."

Shaben quickly sensed that her mother was getting the oestrogen. "There was such an immediate change," she says. "My mother's conversations immediately became more logical. She didn't go over the same subject over and over."

In formal tests gauging memory and concentration, Mount and the other women who received oestrogen performed twice as well as those who did not, according to Sanjay Asthana, who conducted the study. Those who received the dummy drug had no change in their memory or concentration, he says.

Asthana's small study is the first controlled clinical trial to be completed of whether oestrogen can be used to treat Alzheimer's. Uncontrolled studies have suggested that postmenopausal women who take the hormone may reduce their risk of getting the disease or delay its onset.

Although the research is still in its infancy, Khachaturian says, it is "very exciting". However, Alzheimer's experts say much larger studies are needed to verify these findings. "Based on the data we cannot recommend that women routinely take oestrogen replacement therapy for reducing the risk of Alzheimer's," says Neil Buckholtz, acting associate director of the National Institute on Ageing. The institute is supporting a study of oestrogen in 120 women with the disease. Results will not be known for at least a year.

All the studies so far involve only postmenopausal women because they experience a sharp drop in oestrogen levels. In men's brains testosterone is converted to oestrogen, but levels remain fairly constant throughout life.

Oestrogen is already used to treat menopausal symptoms, prevent osteoporosis and reduce heart disease risk in women. But it has been linked to breast cancer and cancer in the lining of the uterine wall.

Studies – on oestrogen, anti-inflammatory drugs or other potential treatments – are raising hopes that Alzheimer's can some day be prevented, but hopes should not be raised too soon.

"We see improvement in people who take anything for this disease," says Stoven DeKosky, director of the Alzheimer's Disease Research Centre at the University of Pittsburgh Medical Centre.

"Sometimes it is just the hope and excitement that surrounds a new treatment that leads to short-term improvement," he says. After a short time, benefits prove illusory.

# Cryptographers crack it

Quantum physics offers secure codes, writes **Bruce Dorminey**

If quantum cryptographers have their way, the days of shuttling secret codes between embassies and government agencies will soon be numbered. Foolproof cryptography rooted in quantum physics rather than mathematical algorithms is just over the horizon.

Based on quantum mechanics, the fundamental theory describing atomic and subatomic phenomena, the aim of quantum cryptography (or QC) is to allow unconditionally secure transmission of the key code over a normal silicon optic-fibre using random infrared laser-generated photons.

Over quantum systems, eavesdropping disturbs the particle code's momentum, leaving a mark that someone has been intruding on the transmission. It also sabotages any hopes of breaking the code.

"With point-to-point systems, a guy physically goes every month with a suitcase handcuffed to his wrists to deliver the key which is used for both encryption and decryption," says Nicolas Gisin, a QC researcher and applied physicist at the University of Geneva. "That may be acceptable for embassies, but you can't have that for large banking or insurance communication."

Banks, stock exchanges and large corporations generally use two keys, one for encryption and one for decryption. But such a system can never be unconditionally secure since it relies on computational complexity. Theoretically, an eavesdropper with unlimited computing power can break the system.

That is never the case with QC. The code is simply a random sequence of polarised photons sent as a one-time key. It is different every time, cannot be copied and is cheaper than classical key cryptography because it is done automatically.

The confidential message is typed into a normal letter keyboard which is automatically transformed into binary code. Next, a polarised filter magnetises photons along either horizontal, vertical or diagonal axes, with each axis signifying different binary values.

Since this takes place within a specially transformed personal computer, by the time the confidential message leaves the desktop it is fully encrypted and can be safely sent along any unsecured channel. At the receiving end, the process is reversed.

Operating on an annual budget of only SFr400,000 (£273,000), Gisin and colleagues were the first to prove that QC would work along any commercial fibre network. Their tests involved sending infrared light pulses along 23km of optical fibre under Lake Geneva.

Now, apart from a few technical refinements involving noise reduction and amplification, Gisin believes the technology is ready to be commercially implemented.

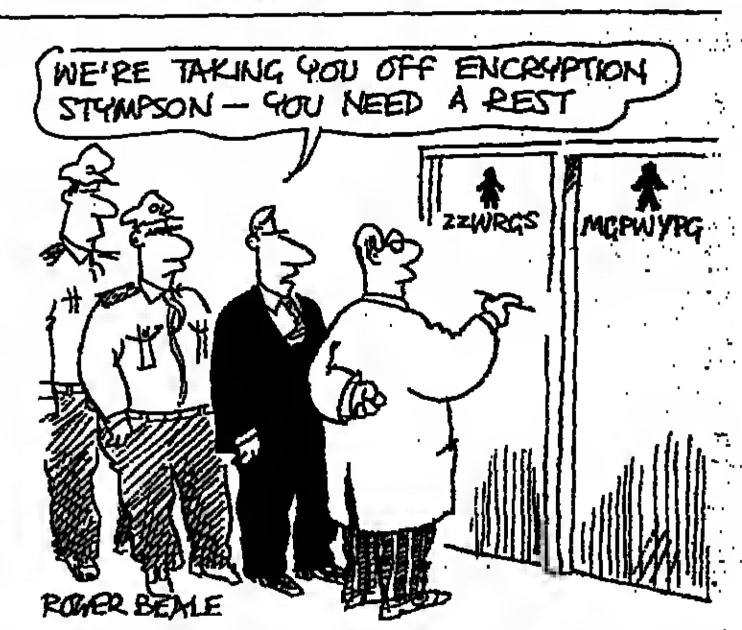
QC could be used to secure contracts sent via e-mail, digital signatures, passwords, and other Internet-based verifications.

At present, QC for home-to-home use is impractical because optical fibres do not run directly into most homes. But for a bank sending an encrypted message to its local branches, the system would work well.

Gisin predicts that within 20 years QC will form the basis for most confidential communications involving local inter-office links between banking, insurance, and related financial industries.

Meanwhile, in the US, quantum researcher James Franson and co-workers at Maryland's Johns Hopkins University Applied Physics Lab have been sending photons through open air in broad daylight in the hope of sending and receiving QC signals from low satellite orbit.

British Telecommunications has also been testing quantum systems, the latest of which links PCs with up to 30km of optical fibre, as well as demonstrating how the technique could be used on an Internet-like multi-user optical network.




"If some technical issues can be cracked," says Paul Townsend, BT's team leader for quantum optics at its UK laboratories near Ipswich, "then it may be possible to build small, secure key distribution systems, perhaps available as a QC plug-in card for a personal computer."







# INTERNATIONAL PEOPLE

## Chicago's OCC gets new deputy

Market clearing and settlement organisations are, ordinarily, dreary domestic businesses, but the Chicago-based Options Clearing Corporation has managed to go global, packaging and selling internationally the technical systems that have made it successful at home.

As the equity options business grows globally, and domestic stock markets on almost every continent initiate options trading, the OCC's techniques and experience have been widely consulted and have developed into a lucrative side business for OCC.

The man most responsible for this international expansion is George Hender, a lawyer and 10-year OCC veteran. Hender, 52, has now been named OCC management vice chairman, in recognition of his role in growing the OCC's business during the past decade. Wayne Lutheringsbausen, OCC's chairman, said Hender had helped define OCC's overall business direction and had a major impact on the options business in general.

The OCC is jointly owned by the five US equity exchanges whose derivatives trades it clears: the American Stock Exchange, the Chicago Board Options Exchange, the New York Stock Exchange, the Pacific Stock Exchange and the Philadelphia Stock Exchange.

Perhaps the most exciting project now before Hender is a cooperation between OCC, the Chicago Board Options Exchange, and the Swiss stock exchange, to develop and sell screen-based options trading systems that one day could link options trading and trade clearing worldwide, allowing traders round-the-clock access to derivatives on a large menu of international equities. *Laurie Morse, Chicago*

## Philippines Shell – new chief executive

Oscar Reyes, vice-president of legal and corporate affairs of Philipinas Shell Petroleum Corporation, has been appointed chief executive of Shell companies in the Philippines, with effect from May 1. He replaces Reinier Willems, who will take up the position of Shell director of petrochemicals outside Europe.

The Philippine oil sector was deregulated last month, allowing an influx of new players to challenge the triumvirate of Shell, Petron and Caltex and ending state-controlled pricing. In anticipation of increased competition in the market, Shell has invested $1bn in the past four years, of which the bulk was spent on a new refinery. During the last 12 years, the group has increased its market share from 18 per cent to 35 per cent.

Reyes, 51, joined Philippine Petroleum Corporation in 1971, after graduating in economics from the Ateneo de Manila university and taking an MBA from Harvard Business School. After Shell took over the group in 1986 he became general manager for treasury and planning. During 1990-92 he was based in London as regional finance adviser for south America and subsequently became vice-president for human resources. *Justin Marozzi, Manila*

## Change at Mexico's Grupo Bimbo

One of Mexico's most publicity-shy companies is to have a change at the top. Grupo Industrial Bimbo – which commands up to 90 per cent of the country's market for packaged bread and cakes – has announced that chief executive Roberto Servitje is stepping down in May, after 52 years.

Servitje, a second-generation immigrant from Catalonia, founded Bimbo in 1945 together with his brother Lorenzo, who remains the group's chief shareholder. Lorenzo Servitje handed over the chief executive's post to Roberto three years ago; now Lorenzo's son's Daniel Servitje, 39, takes command.

The challenges for the publicly listed company will be to widen its exports and operations abroad – which accounted for 16 per cent of its 15bn peso sales last year – and to branch out into other parts of the packaged food industry.

But Roberto Servitje, who will remain chairman, has some major achievements behind him. Despite Mexico's depressed domestic economy, Bimbo's sales have consistently grown for more than two years. *Daniel Dombey, Mexico City*

## Currie moves across to banking

Peter Currie, 46, is wrapping up three hectic years at Northern Telecom, Canada's international telecommunications equipment maker, to move to the Royal Bank of Canada on April 7. He will become executive vice-president and chief financial officer and be part of the bank's top seven-man policy committee, along with John Cleghorn, chief executive.

"We built a strong financial team and accomplished much at Nortel", he said. "The Royal Bank job was a tremendous opportunity for me . . . The bank has to reduce costs and reposition its product lines, but also diversify outside Canada. I hope to contribute to all three objectives, especially diversification", he added.

The Royal, with C$234bn assets and Canada's biggest bank, said Currie will succeed Emile Bolduc as chief financial officer. Bolduc continues as vice chairman responsible for Quebec and European operations and will take on added responsibilities.

Wes Scott, 50, with an extensive background in finance and telecommunications, takes Currie's job at Nortel, stepping up from executive vice president corporate. Nortel is controlled by BCE, Canada's biggest private sector company. *Robert Gibbens, Montreal*

## ON THE MOVE

■ Gary Moss has joined the worldwide executive board of SAATCHI & SAATCHI, bringing the board's numbers up to 12. He oversees the agency's Procter & Gamble business.

■ DATAWORKS CORPORATION has appointed two new board members, Tony Domit, and Roy Thiele-Sardina. Domit was with Xerox for 22 years and Thiele-Sardina with Sun Microsystems for more than 11 years.

■ NATIONAL SEMICONDUCTOR have appointed Roland Andersson as vice president and general manager Europe, replacing Hans Rohrer, who is leaving to pursue other interests.

■ HONGKONG TELECOMMUNICATIONS has appointed Robert Lerwill as an executive director. He became Cable and Wireless's executive director of finance in January.

■ EUROTUNNEL has appointed Pierre-Yves Rogez as director of purchasing.

■ Donald Koziol has been appointed president of AON SPECIALTY GROUP.

■ Larry McCurdy has been appointed president, chief executive and a director of ECHLIN, replacing Scott Greer, who resigned as president in January, and Frederick J. Mancheski, who retired as chief executive in February. Joseph Onorato has been appointed to the newly created position of vice-president and chief financial officer.

■ PHILIPS has appointed Mike Moakley as regional executive North America, in addition to being president and chief executive of Philips Electronics North America.

■ Stephen Holden has been appointed managing director of PILKINGTON France, replacing Christophe Guillot, who has been promoted to the post of commercial development director of Pilkington Europe.

■ Alok Vajpeyi has been appointed representative and head of equities in India for BZW, based in Bombay.

■ Klaus Petersen has been appointed president, Hercules Europe, based in Brussels, for HERCULES, the US speciality chemicals company. Peter Hutton replaces him as vice president at Hercules paper technology division, Europe.

■ John Dean and Nick Triggs are joining Fox-Pitt, Kelton (FPK), the international investment banking group, from Chase Investment Bank Limited.

■ MATTEL has appointed Michael Rosicki as president of Mattel Canada.

■ ALUMAX said George Stoe, an executive vice-president and company director, has resigned due to management differences. Alumax has no immediate plans to replace him.

■ Irene Greco, chief operating officer and executive vice-president of FINANCIAL BANCORP, has resigned. The company has appointed chief financial officer James O'Gorman to the addional post of executive vice-president.

■ THE CHICAGO MERCANTILE EXCHANGE has appointed two new directors: David Puth is managing director in Chase Manhattan Bank's forex derivatives group, and Verne Sedlacek, executive vice-president and chief financial officer of Harvard Management, a subsidiary of Harvard University.

■ GOLD FIELDS NAMIBIA has appointed Hugh Robinson as its new managing director from April 1. Robinson has been the managing partner in Namibia for Ernst & Young since 1985.

■ Henrik Olejasz Olsen has been appointed vice-director of DEN DANSKE BANK and head of its financial division, replacing Peter Engberg Jensen, who has been appointed director of Nykredit, Denmark's largest building society.

■ IBJ SCHRODER BANK AND TRUST has appointed Alan White as managing director in charge of the syndications group. He joins from CIBC Wood Gundy Securities, where he was a director in the loan syndications group.

■ FUJI XEROX chairman Yotaro Kobayashi is expected to resign as Japanese chairman of the Japan-US Business Council in July. A successor will be appointed at a general meeting of the council in June.

■ AMERICAN RE has appointed Kenneth Kaczmarek as president of American Re Asset Management, American Re's investment management unit.

■ The TIMBERLAND COMPANY has announced several new appointments in Europe. Jim Seligman, former president of Speedo International, has been appointed to the new position of senior vice-president of international and chief executive of Timberland's European operations. Patrick Baboin is now heading Timberland's French subsidiary. Peter Pio Hofenbetzer has recently joined Timberland from Swatch, to head up Timberland's German subsidiary.

■ VOLKSWAGEN management board member Jens Neumann will replace chairman Ferdinand Piëch as supervisory board chairman of ŠKODA from April 16.

■ DEUTSCHE MORGAN GRENFELL has appointed James Walker to head its Latin American research division in New York.

■ UNITED AUTO GROUP INC has appointed Marshall Cogan chairman and chief executive, effective April 17, succeeding Carl Spielvogel, who has resigned.

■ David Young has been appointed president of DURACELL EUROPE with responsibility for all sales, trade marketing and customer relations activities.

■ Andrew Carl Wilk has been promoted to senior vice-president of programming and production at NATIONAL GEOGRAPHIC TELEVISION.

■ Hazel O'Leary, former US secretary of energy between 1993-97 has joined the board of ICF KAISER INTERNATIONAL.

■ A. C. Moore has joined US investment bank PRINCIPAL FINANCIAL SECURITIES as senior vice-president and chief investment strategist. Moore will serve as an advisor to Principal Financial Securities' chief executive, executive committee, research department and investment consultants on the investment strategy for the company and clients.

■ The RESERVE BANK OF AUSTRALIA has appointed Philip Lowe as head of the economic research department.

**International appointments**

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

**TOURISM** • by Canute James

# Defining the pleasure principle

## A tighter niche in the market is sought as the islands reach saturation point

In other circumstances, the deliberate sinking of a Russian frigate by the Caymanian authorities just off Cayman Brac would have been accompanied by the unpleasant noises of modern naval battle. In the event, applause greeted the quiet fall into 100ft of water of Frigate #356, renamed the MV Captain Keith Tibbetts by the Caymanians.

Tha frigate, moth-balled in Cuba and bought by the Caymanians through the Russian embassy in Havana for about $250,000, has quickly become an important attraction in the territory's growing tourist industry. "Cayman Brac felt it was oot getting enough from tourism," says Mr Douglas Tardif, the acting director of tourism.

"The destroyer was towed from Cuba and sunk to stimulate interest. Diving the wreck is now very popular. Many divers visit the Caymans specifically to dive a Russian ship."

Tourism is the main pillar of the economy, accounting for 70 per cent of gross domestic product and 75 per cent of the government's revenue. There has been a steady growth in the volume of both cruise ship and stay-over visitors in the past four years, reaching 1.1m last year.

The administrators of Caymanian tourism, and the island's busioess leaders, feel that continued expansion could be at a price that the territory cannot afford.

Playing host each year to 40 times as many visitors as there are Caymanian residents will put pressure on the eovironment and support services. The danger is obvious on the days George Town slows to a crawl wben it is taken over by thousands of day trippers from cruise ships.

There is little space left on the famed Seven Mile Beach for building more botels and increasing the Caymans' capacity beyond the current level of 2,100 rooms. Saturation threatens, forcing the islands to seek controls on the numbers of visitors and to attempt to attract a more specific market.

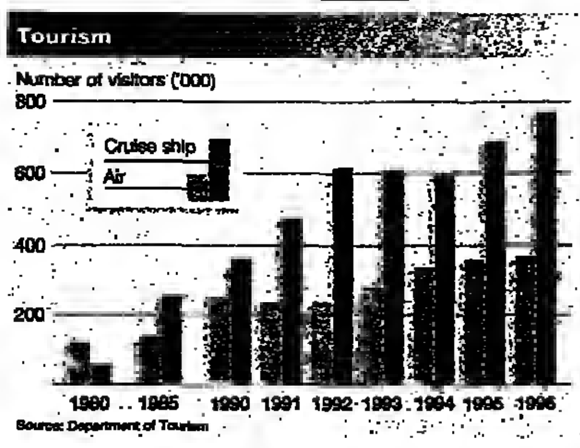
"I think the Cayman Islanda has gone in too mucb for the mass market," says attorney Mr William Walker of W.S. Walker and Company, wbo has seen the territory grow into a leading resort.

"These are very small islands with fragile economies. If tourism is built up too much, we could run out of facilities. We need to limit numbers. We should forget the oumber count and go for quality aod we will have more mooay coming in. What will it be like here in 20 years? This is what worries me."

A Cayman Islands holiday, however, is oot for backpackers and campers. Tourism administrators argue that the islands offer a high quality holiday. Tbey already target the higher end of the market as ooe way of preventing the resorts becoming overwbelmed.

"We bave targeted the opscale market," says Mr Tardif. "Studies indicate that the average visitor to the Cayman Islands has a family income of over $100,000 a year. The Cayman Islands is a relatively expensive boliday, but there are few complaints about this because we stress the quality of the product."

A less subtle approach is being taken to control the oumber of cruise visitors to



Source: Department of Tourism

George Town, wbicb has grown by about 5 per cent a year, and is expected to reach over 400,000 this year. A cap of 6,000 visitors a day will allow some growth but will lead to reduced ship calls wben larger vessels, with about 5,000 passengers, visit the islands.

The authorities have increased policing of ships, and peoalised lines that have damaged reefs and illegally discharged effluent within the boundary of Caymanian waters.

Like other resorts in the Caribbean, Cayman Islands' tourism ia frequently affected by developments in its important markets. Most tourists visiting the islands come from the US. Efforts to attract wealthier visitors have cushioned fluctuation in tourism revenues caused by changes in the bealth of the US economy.

> 'These islands are small and fragile. We should forget the number count and go for quality'

Other factors have affected the volumes of visitors. The number of stay overs declined just after the Gulf War because of American concerns about security overseas. Changes in the values of currencies against the US dollar have sometimes made a European boliday more competitive for North Americans.

The Cayman Islands, like other Caribbean tourist destinations, has lost some visitors to the efforts by several US states to offer a cheaper and safer holiday.

There is an attempt to broaden the market. In addition to increasing promotion in Canada and the UK, there are plans to encourage a larger flow from Japan. This is being supported by a bid to expand the attraction of a Caymans holiday beyond the traditional sun, sea and sand.

Tourists are encouraged to visit a botanic park that offers flora and fauna indigenous to the Cayman Islands. Pedro Castle, built as a traditional great house at tha end of the 18th century and later the seat of the first elected assembly, will also attract tourists interested in history, says Mr Tardif.

Meanwhile, the government is at pains to protect the environment. A turtle farm, open to the public, not only produces for the local market but also releases thousands of turtles each year, to repopulate those threatened in the wild.

The Cayman islands faces competitioo in the region from Aruba, which aims at a similar market, say officials. But, as at otber Caribbean resorts, there is another nagging worry.

"We could face serious competition from Cuba, if aod wben it opens up, although this competition will not be permanent because the country will oot cater to the type of tourists we do," says Mr David Bird, cbairman of the Cayman Islands Chamber of Commerce.

"Cuba, bowever, is a veritable sleeping giant in Caribbean tourism."

**DOING BUSINESS** • by Edward Luce

# On the charm offensive

## Exorbitant labour and rental costs have yet to outshine the Caymans' appeal

If imitatioo is the sincerest form of flattery, tbe Caymans ought to be in the business of self-congratulation. As the largest offshore centre in the Caribbean, the Cayman Islands is a model for newer competitors such as the Turks and Caicos Islands.

Whenever tbe Caymans adopts good or innovative legislation, such as its company trust framework or its laws against money laundering, it tends to be duplicated shortly afterwards.

One aspect of tbe Caymans which rivals will not want to follow is the colony's very high cost of doing business. But banks with offices in the Caymans say that the benefits of operating out of the colony still comfortably outweigh the disadvantages.

The availability of many of the world's largest banks and some of the most reoowned legal and accountancy firms within five minutes gentle walk of each other, is a luxury few can overlook. The ease of doing business and the charms of the island's surroundings are seen as a poteot combinatioo by local bankers.

Given the choice betweeo the Cayman Islands and Bermuda for a February or March annual meeting few companies would hesitate – at least while costs remain similar.

"Whicb would you prefer, a cold rock in the middle of the Atlantic or a suo-drenched Caribbean island?" asks Mr John Pitcairn, director of Mutual Risk Management, whicb manages captive insurance companies in the Caymans. "The pleasure of bolding AGMs in the Caymans is definitely a plus factor in its favour."

Despite this, there is growing concern that increasing costs in the colooy will begin to deter new investors unless remedial action is taken. At US$60,000 to $70,000 a year, the cost of hiring a junior manager in the Caymans is almost twice as high as the average rate in the Channel Islands or the Isle of Man.

As only balf the colony's population of 30,000 was born locally, compaoies ofteo hire expatriates at even higher costs. A work permit for an executive can be $7,000 to $8,000 a year. The reot on a three-hedroomed condominium is between $4,000 and $6,000 a month.

"There is no doubt about it, costs are a growing worry," says Mr Brian Balleine, managing director of Royal Bank of Canada Trust in the Caymans. "The problem is that it is almost impossible to bring the cost of labour down. The population is too small for that."

Mr Bill Walker, head of a local law firm, says that companies ofteo find it impossible to fill even routine jobs with local people. "We have companies advertising for a secretary that don't get a single reply," says Mr Walker.

With almost no scope for reducing the price of labour, the Caymans is attempting to put a lid on other types of cost. Last year, the colooy cut the fees for registering companies by about 50 per cent in a package that the private sector belped draw up. In return for the governmeot agreeing to lower fees on applications to set up a company, local law firms agreed to reduce charges.

At $410, tbe government says that the basic fee for processing an application for an exempted company is lower than in many other offshore centres. "We realised we were in danger of pricing ourselves out of the market," says Mr Delano Solomon, the island's registrar general. "We estimate that the total costs of setting up a company [between $5,000 and $15,000, including private sector fees] in the Caymans is probably better now than the regional average."

As a no-tax ecooomy the Caymans bas very limited scope for reducing costs any furtber. Dependent entirely for its budget on the revenue from corporate fees, port charges, stamp tax on property and dnties on imports, it can only realistically compete on quality of service. This will mean squeezing more value out of a competitive financial sector.

"The problem is we already offer very high-quality service," says one banker. "The quality of labour is high, electricity is reliable, communications are good – although expensive – and the regulatory system is lean. It is hard to know what more we can do to remain ahead of tbe game."

Few offshore centres can match the Caymaos for speed of service. An individual or a company wishing to set up a subsidiary in tbe Caymans can process their application within two hours according to the registry office – although the average is more like two days. With the help of its private sector consultative body, the 15-member legislative assembly can draw up a quality statute withio three months of inception.

Apart from the high cost of communications, which Cable & Wireless, the local monopoly, says it is planning to rectify, the scope for improvement is limited. Mr David Bird, chairman of the local chamber of commerce, says that the Caymans real advantage comes from the simplicity of its regulations. As long as it remains easier to do business in the Caymans than elsewhere, the colony will attract money.

"To put it frankly, offshore financial centres thrive oo fear of higher taxes, fear of interfering regulations and fear of political instability," says Mr Bird. "As long as the Caymans can provide minimal but high quality regulations we will continue to do good business."


Just one of the reasons why business men and women like going to the Cayman Islands

COMMENT & ANALYSIS

## Martin Wolf

# Russia's missed chance

**By failing to stick to its radical reform programme, Moscow has prolonged economic decline and unnecessarily widened the gap between rich and poor**

On my first visit in five years to Moscow last week, Russian communism seemed already to belong to another era. Happily, the majority of Russians agree, as was demonstrated in the presidential elections last summer. But if history has discarded the evil empire, what will take its place? The answer to that question remains almost as obscure – and as dependent on Mr Boris Yeltsin – as ever.

If the reforms that started in 1992 had been pursued vigorously and consistently, a favourable outcome to Russia's transformation would have been considerably more probable than it now appears to be. It is not that nothing has been achieved over the past five years. On the contrary, inflation was finally brought down to low levels during 1995 and three quarters of the economy has been privatised.

Nevertheless, the failure to complete the conquest of inflation and the liberalisation of both prices and trade in the first year or two of reform was a serious mistake. The performance of the economy, the effects on the people and the growth of corruption and inequality have, as a result, all been more unfavourable than they needed to be.

Between December 1991 and December 1996 consumer prices increased 1,700 times, wiping out the life savings of everyone who lacked real assets. Unhappily, this includes virtually every honest Russian. According to the issue for the last quarter of 1996 of Russian Economic Trends (London: Whurr Publishers, forthcoming), the ratio of households' assets to gross domestic product collapsed from 100 per cent in December 1990 to 10 per cent by the end of 1993. Today, 80 per cent of the population has no savings at all.

As the authors of a recent study* demonstrate, "although stabilisation policy is widely attacked as 'shock therapy' which penalises the poor, the reality is, in fact, precisely the opposite". Thus the failure to bring inflation down quickly, far from helping the poor, injured them. It is they who hold their assets in cash and rouble-denominated deposits. The rich and powerful enjoy access to hard currency and other hedges against inflation.

The persistently high inflation also undermined the recovery of output after its inevitable initial decline between 1990 and 1992. The experience of other reforming economies in central and eastern Europe and the former Soviet Union demonstrates that sustained recovery will only follow successful stabilisation.

Prices were bound to jump in early 1992 after the initial liberalisation of many prices. But the failure to bring inflation decisively back down in the subsequent months delayed recovery for years, thereby contributing hugely to the unemployment, hidden unemployment and wage arrears of today.

Admittedly rough – and certainly exaggerated – estimates suggest that Russian GDP experienced seven successive years of decline, with output last year falling to little over half its level in 1989. Only recently, after the victory over inflation, have signs of recovery emerged. In Poland, by contrast, where stabilisation of inflation worked quickly, there were only two years of declining output, the cumulative decline being less than 20 per cent.

This failure to stabilise inflation quickly is understandable, particularly given the disastrous budgetary position. As the chart shows, expenditure of Russia's consolidated government was 66 per cent of GDP in 1992, when revenues were only 44 per cent. Ever since the government has been struggling to cut spending faster than it has been losing revenues.

It has failed. Spending was slashed to 37 per cent of GDP by the first half of last year, but its revenue was well below that level. These heroic efforts to achieve fiscal balance have also, unfortunately, been at the expense of large arrears on sums due to those dependent on government for their pay or pensions.

In 1996, for example, spending was only 81 per cent of the budget. This inability to spend reflects the failure to raise planned revenue. Only 16 per cent of taxpayers complied fully with their obligations to the budget in 1996, with 73 large enterprises responsible for 40 per cent of the arrears.

Mr Yegor Gaidar, deputy prime minister during the early reforms, notes that across the transforming economies of central and eastern Europe and the former Soviet Union the share of fiscal revenue in GDP is inversely related to speed in bringing inflation under control. The irony, he concludes, is that those who rejected shock therapy as too brutal have ended up with a smaller and weaker state than they would have otherwise had. With a revenue base under 30 per cent of GDP, the capacity of the Russian state to meet the demands upon it is now extremely limited.

The failure to stabilise swiftly has not only damaged the poor and weakened the power and credibility of the state. It also greatly facilitated the accumulation of unearned wealth by those with access to money and influence. The combination of highly subsidised credit and availability of valuable commodities at controlled prices created opportunities for vast profiteering. The winners in this game could then take advantage of privatisation to turn their new wealth into permanent control over many of Russia's most valuable assets.

Thus, the slowing of the pace of reform after 1992 impoverished the many and enriched the few; it prolonged the decline in output; it weakened the state's capacity to raise revenue; and it increased opportunities for corruption. In all these many ways, it severely weakened the reputation of the reformers and undermined the credibility of the reforms they had promoted. For this sad outcome, the dire political and economic situation of Russia itself was the principal explanation. But Mr Yeltsin's vacillation and, not least, the failure of the West to give him timely financial support and advice are also heavily to blame.

Failure to complete the early tasks of stabilisation and liberalisation is history, but it is not ancient history. It bears directly on the task ahead of the government to be announced this week.

The delay in putting Russia firmly on the path of recovery makes success now more urgent – though also more difficult. The new government must achieve irreversible stabilisation; deregulation of competitive business; regulation of monopolies; tax reform; and a thorough rethinking of social spending. It must learn to interfere less, but more effectively.

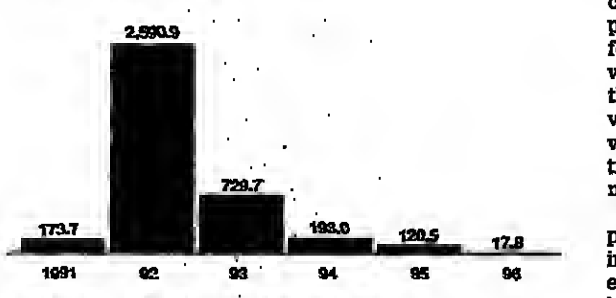
Russia will not return to communism. But what it will become instead remains open. It may develop a dynamic market economy and a working democracy. But it may, instead, embrace a corrupt and despotic corporatism. Or it could be an amalgam: turbulent itself and a source of turbulence in others.

Given the personalities in the wings of politics, much still depends on Mr Yeltsin, now in his last years in office. His will and determination remain crucial. His new government promises to be the first to attempt coherent reform since 1992. He must give it all his backing if it is to complete the task his reformist government of 1992 set out to achieve.

**Less Inflation, Less Poverty, Brigitte Granville and Judith Shapiro with Oksana Dynnikova, Discussion Paper 68 (Royal Institute of International Affairs, 1996)*

**The struggle for stabilisation**

Annual % change in goods CPI




**Russia: general government fiscal balance**

% of GDP

| | 1992 | 93 | 94 | 95 | 96Q1 | 96Q2 | 96* |
|---|---|---|---|---|---|---|---|
| Revenues | 44.2 | 38.5 | 35.6 | 30.2 | 28.0 | 31.3 | 29.0 |
| Expenditures | 65.8 | 46.6 | 46.1 | 35.9 | 34.6 | 40.3 | 36.7 |
| Actual balance | -21.6 | -8.0 | -10.4 | -5.5 | -6.5 | -9.1 | -7.7 |

Sources: Russian Economic Trends, IMF, World Bank *First half

# Rights and wrongs

**Stefan Wagstyl and Robert Corzine on Shell's new stance on business practices**

The plan by Royal Dutch/Shell to consult environmental and human rights groups on sensitive projects is a belated recognition of the influence on multinationals of international public opinion.

The company is responding to the public roasting it received in 1995 over its operations in Nigeria following the execution of Mr Ken Saro Wiwa, the minority rights activist, and its proposal to dump the Brent Spar oil platform in the Atlantic Ocean.

Shell's move, announced yesterday, is particularly significant given the company's reputation for being among the most secretive and arrogant of multinationals. If Shell is really opening up, it suggests lasting changes are under way in the international business community. By committing itself to talks on human rights as well as environmental issues, the group is moving into territory hitherto avoided by even the most progressive companies.

In its revised statement of business principles, Shell says it supports "fundamental human rights in line with the legitimate role of business".

"This opens a potential Pandora's box," says Mr John Elkington, chairman of SustaiNability, a London-based consultancy. "If you tell some governments you're going to discuss human rights, you might not get a project at all."

Like other companies, Shell is responding both to growing public interest in development issues and to the increasing speed of international communications. "Its a CNN world," says Mr John Jennings, chairman of Shell Transport and Trading, the UK arm of the Anglo/Dutch group. "And that means its a show-me world, not the trust-me world of the past."

Twenty years ago, news of unrest in remote oil areas might have taken days to reach the nearest city, let alone the wider world. But the spread of video cameras and satellite phones and faxes means even minor incidents receive a rapid international airing.

Mr Tim Melville-Ross, the director general of the Institute of Directors, says most companies still apply different standards to operations in the developing world to those in their home country. "But there is a convergence between the two sets of values."

More and more companies are trying to develop group-wide, consistent policies towards the environment. Their watchword is "sustainable development" – balancing economic growth and environmental protection. Among the leaders is Monsanto, the US chemicals group, which in the early 1990s invited non-governmental organisations for brain-storming sessions with senior managers.

As Monsanto has discovered to its cost, however, even companies with enlightened reputations can run into controversy. The group is under attack over its sales of genetically-altered soya beans, which NGOs claim sets dangerous precedents. "There are still big differences of opinion about what is sustainable development," says Mr Elkington.

Shell acknowledges it has "no magic insights" into corporate responsibility and that its revised policy statement is unlikely to end the dilemmas it faces in several countries. Although Shell will be "more activist" in negotiations with questionable host governments, "it would be incredibly dangerous if we were to become the final moral arbiters" of whether controversial oil and gas development should go ahead, says Mr Jennings. "Drawing a line in the sand is the essence of government responsibility."

> Shell is responding both to growing public interest in development issues and to the increasing speed of international communications

For their part, NGOs are wary of getting too close to business until they are convinced of genuine co-operation. "Companies like Shell must first prove that their attitudes have changed," says Ms Malini Mehra, international campaigns officer for Friends of the Earth. "And even if we co-operate we must keep our right to speak out publicly."

Greenpeace takes a slightly more conciliatory approach, in spite of its spectacular role in the Brent Spar affair when its activists boarded the rig to prevent its scuttling. "Companies are becoming more receptive," says Mr Steve Warshal, editor of Greenpeace Business, the organisation's magazine. For example, Unilever, the Anglo-Dutch food group, last year agreed to stop using fish oil produced by hoover-fishing in the North Sea after talks with Greenpeace and other NGOs. The company is now working with NGOs to set up a Marine Stewardship Council to campaign for environmentally sustainable fishing.

Companias with retail operations in industrialised countries – such as Unilever and Shell – are the most vulnerable to NGO pressure. But even smaller companies with no high street presence want to avoid the embarrassment of a public hounding.

Enterprise Oil, the UK's largest independent explorer, last week published new internal guidelines stressing that all business should be conducted on an ethical basis. There are, it says, "too many people, including shareholders and employees, monitoring our activity to do anything in a cavalier manner."



## LETTERS TO THE EDITOR

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### German government is not guilty of creative accounting over Emu

*From Mr Klaus Kinkel.*

In his FT interview of March 17 ("Mover and shaker"), Gerhard Schröder, prime minister of Lower Saxony, states that the German government is employing "creative accounting" to achieve the stability criteria for commencement of the third stage of economic and monetary union. This is an irresponsible attempt to frighten the people of Germany, and one which implies that the German government is not treating the stability criteria seriously. I utterly reject this insinuation.

The German government remains fully committed to introducing the euro on schedule on January 1 1999.

Another thing must be absolutely clear: there will be no soft euro. The timetable is conditional upon strict adherence to the criteria as they are agreed by all in the treaty. The decision will be taken in 1998 on the basis of the actual data from 1997. Without creative accounting.

Those who, like Schröder, would like the euro to be the "crowning" of the integration process are in fact seeking to postpone it indefinitely. On the contrary, the introduction of the euro – founded on a Europe-wide culture of stability – will give Europe, both economically and politically, the stimulus to integration it needs to be able to continue to play in the first division of the international political and economic league in the 21st century.

The key factor is the culture of stability. On this we have made huge progress all over Europe – and this has only been achieved through the prospect of the euro.

Only a few years ago most member states had budget deficits of between 5 per cent and 6 per cent or more. In 1996, four had new borrowing of under 3 per cent, and six more between 3 per cent and 4 per cent.

This is the great opportunity for our economy: a Europe-wide area of stability in which the German culture of stability is adopted by our partners and the stability of the euro is guaranteed for the future through an independent European central bank and the stability pact.

If we do not take this opportunity now, who knows when we will see it again?

**Klaus Kinkel,**
**federal minister for foreign affairs,**
**Foreign Ministry,**
**Adenauer Allee 99-103,**
**D53113 Bonn,**
**Germany**

### Conscientious members of meat industry know good practice earns better margins

*From Mr Andy Tucker.*

Sir, Philip Stephens's analysis is, as always, thought-provoking and lively, but his article concerning the meat industry ("Seeds of mistrust", March 14) misses two important points.

The first is that it is simply not true that *all* participants in the meat chain have created the current problems by money-pinching.

Many farmers bought feed and supplementary cattle in good faith and have since lived with the chaos which has been created by inept politicians. Although it never makes good press there really are farmers, abattoirs and processors who do the job properly and responsibly. They know that good husbandry goes hand in hand with better margins and returns.

Second, the huge driving force of the multiples has for years pushed the meat industry for uniform product at ever cheaper prices. This may at last be changing and not just in the premium retail sector.

With higher disposable incomes, consumers seem to be prepared to pay a small premium for products that have been produced with welfare/environmental considerations.

A crucial challenge for the multiples today is to pass some of the premium back down the chain. If it is true that *some* members of the meat chain are guilty of money-pinching, it is up to the consumers and multiples to play their part in making sure that they do not need to.

**Andy Tucker,**
**managing director,**
**Yorkshire Premier Meat,**
**Aston Street,**
**Sheffield, S2 5BD,**
**UK**

### Embarrassing questions over Warburg trade

*From Mr John Fordyce.*

Sir, I am writing in connection with your report "Embarrassing times for SBC Warburg" (March 13). I quote: "Short selling ahead of programme trades is accepted as normal practice . . . so long as share prices do not fall too much."

What has happened to the famed "Chinese walls"? What has become of the first rule of stockbroking – one deals to the best advantage of the client?

What has become of the rule about "insider trading"?

Does the Securities and Futures Authority have any teeth and if it does, why does it not use them?

**John Fordyce,**
**9 bis Rue Casimir Pinel**
**92200 Neuilly,**
**France**

### Germany is linchpin of Emu project

*From Mr Robert Solomon.*

Sir, The Europa article by Professors Modigliani and Baldassarri ("A euro minus the D-Mark", March 14) suggests that the Bundesbank might succeed in keeping Germany from qualifying for European economic and monetary union and that the other European Union countries should go ahead without Germany.

It seems to me that this proposal ignores both an important political reality and a bit of European Monetary System history.

What is driving France and Germany to form Emu is what motivated de Gaulle and Adenauer as well as Giscard d'Estaing and Schmidt: to bind Germany and France together so as to prevent a repetition of the terrible events of the first half of the 20th century. They are trying to achieve a political end via economic means.

France also has economic reasons for wanting to replace EMS with Emu. It follows that France would not want to go ahead without Germany.

It is also worth remembering what happened during the EMS crisis in the summer of 1993, when there was heavy speculation against the franc.

A French proposal for dealing with that crisis was that the D-Mark should temporarily withdraw from the exchange rate mechanism (ERM) of the EMS. It turned out that the Netherlands, Belgium and Luxembourg, and perhaps other countries, would have followed Germany, leaving France with relatively weak currencies in what remained of the ERM. Tha proposal was dropped.

Something similar could happen in the unlikely event that France tried to forge an Emu without Germany.

**Robert Solomon,**
**guest scholar,**
**The Brookings Institution,**
**8502 W. Howell Road,**
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ARTS

# Jewel in the Royal Collection

## To see the Mughal illustrations in the Padshahnama of Shah-Jahan all at once is an opportunity not to be missed, writes **William Packer**

The *Padshahnama* of Shah-Jahan is one of the greatest treasures of the Royal Collectinn and without question one of the most important of Islamic manuscripts and works of art in the country. But by its very nature it is one of the least well-known, a volume of text and related illustrations held in the Royal Library at Windsor, seldom exhibited and even then only by an open page at a time.

Never since it was first assembled, and not perhaps even then – for the exact manner and seqnence of its making are still closely debated – has it been possible to see its illustrations all at once. Lately, however, need of conservation not so much of the paintings themselves, which were in remarkably fine condition – being shut np in a book has its advantages – as of the mounts and decorated borders, required the old binding to be broken up.

This interval before rebinding presents at last a natural opportunity to show the lot. Happy coincidence with the 50th anniversary of Indian independence, has allowed these Mughal paintings to return to Delhi for the first time in 200 years, the first loan to the sub-continent of any kind from the Royal Collection. Back again for this show in London, they then go to the US before returning home to the Royal Library, to be reassembled and the book shnt once more.

The *Padshahnama* came into the Royal Collection in 1799 as a gift from the Nabob of Oudh. It is the contemporary account of the life and reign of the emperor Shah-Jahan, son of Jahangir and fifth in direct line from Babur, founder of the Mughal dynasty that ruled over most of India from the 16th to the 18th centuries.

Shah-Jahan, builder of the great forts at Agra and Delhi and of the Taj Mahal, reigned from 1628 to 1658. The Windsor volume is incomplete in that it ends after only the first ten years of the reign, but of the surviving versions it is the only one that is illustrated. These 44 sheets in gouache and water-colour are not all by the same hand, nor are all the artists known, but they are clearly by the best imperial court artists of the time.

*The subjects include the accession of Shah-Jahan; his weighing in silver; the wedding processions of his sons and the grisly execution of rebellious lords*

The subjects treated begin with the early exploits and campaigns of Prince Khurram, as Shah-Jahan was before his accession. They continue with court ceremonies and particular events, with some elision and conflation of date and incident no more than natural in so evident an exercise in imperial glorification. We see the accession itself; the weighing of Shah-Jahan in silver; the wedding processions of his sons; the defeat and grisly execntion of rebellious lords; the capture of the European trading port of Hoogly; a lion hunt; the siege and capture of Orchha and Udgir; and at last the wedding of Prince Awrangzeb, the less-favoured younger son who was eventually to usurp his father.

In this last image, as in all the paintings, iconography and formal composition are of the first importance. For these are not only works to a general purpose, but specific to the politics of state, with closely recognisable portraits of the principal characters. We must understand that the more formalised the pose, the grander the personage, and for a noble not to be shown in profile, the more particular the slight. Placement, pecking order, was everything. Common soldiery and retainers were shown more naturally in the round, and the noble women of the court not at all, for their place was out of sight.

And here we have Prince Awrangzeb ostensibly welcomed back by his father. Yet there he stands on the atep outside the railing, his body half-turned as he makes his obeisance, far below the imperial balcony, where Shah-Jahan looks sideways into the distance. He is beyond the pale.

But fascinating as such reading is, it is the quality of these works as art that finally takes the breath away. And it is not just the fineness of the detail, astonishing though it is, that does it, nor the graphic wit of the description – the elephants whisking their tails in the procession; the green pallor of the leading rebel as his head is sliced off; the bright trousers of the dancing girls; the flies buzzing round a severed head.

The true quality is more abstract and painterly than that, the counterpoint of formal abstract structure, whether of balcony, court or canopy, against constant visual movement, the swirl and hubbub of the crowd, the sweep of the landscape, the rush of the mad elephant. But underlying all is an instinctive, essentially abstract formal control of element against element – the cushions of the wedding gifts against the turbans of their bearers; the flutter of the pennants above the elephants' saddle-cloths below; the tilt of a bright roof; the vertical fall of shape against shape.

The shadowy artists of the *Padshahnama*, Balchand, Bhola, Murar, the Kashmiri Painter and the rest, were true artists. This remarkable exhibition is their proper celebration, the fine catalogue, at once meticulous and lavish, a lasting record.

*King of the World – The Padshahnama*: The Queen's Gallery, Buckingham Palace SW1, until April 27, then on tour to Washington, New York, Los Angeles, Fort Worth and Indianapolis.

Imperial princes: detail from 'The wedding procession of Prince Shah-Shuja'

Theatre/Alastair Macaulay

# A tepid look at backstage politics

The advent to London – to the Old Vic, forsooth – of a new top-level repertory theatre company must be cause for rejoicing. London theatre, though still a glory often enough, is not so rich in well-staged playa that a naw and changing supply of them should not be a considerable addition to the scene. The company, which includes prestigious actors from several generations, is Peter Hall's; and Hall, with his wonted canniness, has launched it by directing Harley Granville Barker's *Waste*; an important play seldom revived because it requires a large cast, but very "now" in its mature treatment of the backstage life of politicians and elections.

Why then do I leave the Old Vic with only luke-warm admiration for the prospect of the season and the production itself? Mainly because of misgivings about Hall himself. Hall has been a central pillar of British theatre for 40 years now, and any London theatregoer is likely to have seen some, perhaps many, important and/or excellent Hall stagings. This production of *Waste* exemplifies several of his characteristic virtues: lucidity, intelligence, stylishness. It is, however, less than wholly absorbing; and in this it resembles too much of Hall's work. Tepidly paced, it keeps its audience at a distance. Here are several of Britain's most distinguished actors in an interesting play, and yet it is hard work to keep attending moment by moment to their endeavour.

Another problem is that the depths of the Old Vic are uncomfortable for such plays as *Waste*, which consists largely of drawing-room or office conversations. It is hard for actors to preserve the intimacy of naturalistic, private, 20th-century conversations while working hard to make them register into the horseshoe of this old theatre. True, these actors are almost all skilled technicians; and, technically, they bring it off. But one senses the effort involved, and only intermittently can one relax into concentration on the changing currents of the play. It is no accident that the most distinguished staging of any of *Harley Granville* Barker's plays in recent years, Richard Eyre's National Theatre production of *The Voysey Inheritance*, took place in the small Cottesloe Theatre, with the audience placed close to the action on either side.

Alastair Muir

Michael Pennington and Felicity Kendal in 'Waste'

*At his best, Barker can seem* the best British playwright since Wilde. Like Wilde's *An Ideal Husband*, but more so, *Waste* brings to the overlap of political life and private life the multi-faceted humanity that is so loved in the novels of Trollope. Henry Trebell, a brilliant independent MP, who hopes for a place in the cabinet and plans to disestablish the Church of England, makes Amy O'Connell, a married woman, pregnant. She is in love with him, but chooses to have an abortion; and her anguish is rendered more severe when she perceives that he has no love for her and that his sole commitment is to his politics.

This is already impressive stuff (and, for its period, immensely daring), but Barker's plot keeps surprising us. When the abortion kills her, halfway through the play, how will her husband – who has not seen her for a year – behave? How will the members of the new cabinet deal with the possibility of scandal looming over Trebell? The drama has several further twists, and it always reveals the marvellous seriousness of Barker's mind.

Still, there are times in Hall's staging when we may long for the leavening wit of Wilde or the mischief and musicality of Shaw. Hall's staging is partly to blame for this; Barker's play surely has more wit and more rhythm than are here revealed. Michael Pennington, in the central role of Trebell, shows the politician's chilly ambition and detachment, but not his energy or magnetism. Why should Amy O'Connell fall for this piece of stainless steel? Pennington's performance is too honed; he does not listen to other characters persuasively. At no point is any chemistry between him and Felicity Kendal, as Amy, in evidence. Kendal, a highly limited but often effective actress, deploys her callow charms here with welcome vigour. Still, she has run her small gamut long before her last exit.

The best performance is by Anna Carteret as Trebell's sister. With economy, repose, and authority, she gives Frances more inner life than anyone else onstage. David Yelland brings similar virtues to the role of the Trebells' friend Dr Wedgecroft. As Amy's husband, Greg Hicks is excellent: dangerous, inscrutable, austere. Denis Quilley is rather too suave, too practiced, a prime minister. As another important and forceful MP, Alan Dobie is dull; as a brittle, meddlesome political hostess, Jenny Quayle is very good.

John Gunter's designs demonstrate three separate households with ideal clarity. The evening improves as it proceeds, and there is much to admire. But one was justified in hoping for more.

In repertory at tha Old Vic, London SE1.

Opera/Andrew Clark

# A master singer

It's worth seeing the Royal Opera's revival of *Die Meistersinger von Nürnberg* just for Thomas Allen's Beckmesser. Even set against Allen's other distinguished stage-portraits, this is an outstanding performance, because he turns Wagner's town clerk into someone we all know – the precious pedant who has just enough redeeming traits to squeeze our sympathy. He is as plausible as he is preposterous, an object of fun who is not without humour himself.

In Allen's hands – and the hands, like the quick little steps, are a minutely observed constituent of an intensely physical portrayal – Beckmesser becomes a fidget, a fusspot, a bundle of nervous insecurity: the indignation in his eyes as he runs his finger along the dusty curtain-rail of the marker's box is one of the evening's abiding impressions. But this is also a Beckmesser who knows how to sing. Allen gets the meaning across without compromising his beauty of tone, and the rapier thrust of his responses is both musically and histrionically convincing.

Inherited wisdom about *Meistersinger* suggests the first act belongs to Stolzing, the second to Beckmesser and the third to Sachs. Allen sweeps all three. It is not that he is too knowing, nor that he reacts as anything other than a mature ensemble player. No, he is simply the one stage personality in Graham Vick's production who lives the part with freshness and authenticity. So is the rest of the show worth it?

For Bernard Haitink's conducting, the answer must be yes. Has anyone heard a less pompous, more inwardly expressive *Meistersinger* overture? Long legato lines, shapeliness and quick-witted punctuation are the watchwords of Haitink's interpretation, which is spaciously breathed and, apart from a few dead patches in the opening scenes, never lugubrious. The sumptuous colours of the score may be subdued, but the orchestra compensates with beautifully limbered string parts, clean articulation of Wagner's quasi-baroque counterpoint, and a soft, pre-Mahlerian seamlessness in the Act 3 prelude.

*Meistersinger* has a habit of foxing artful producers: Vick doesn't seem to know what to do with it. The minor mastersingers sit around like stuffed potatoes, bland and virtually indistinguishable, and the only reason we notice the apprentices is because of their Bruegelesque costumes. Important staging-posts like David's Act 1 narration are glossed over; the crowd in Acts 2 and 3 is never more than a mob. The result is a production which barely scratches the surface. I quite liked Richard Hudson's doll's-house set, but it has the scale of a small-house production, an Ambridge-on-the-Pegnitz without the warmth, sentiment or humanity.

The only major changes to the 1993 cast are Herbert Lippert's David and Catherine Wyn-Rogers's Magdalene. Lippert has the voice, but he is too fond of singing to the gallery, and his recitation of the rules of the guild sounded like a shopping-list. Wyn-Rogers establishes a strongly-supportive presence and is never fussy: an attractive role-debut. Nancy Gustafson repeats her dignified, sweetly-sung Eva and Gösta Winbergh his plastic Stolzing: a few diction lessons from Beckmesser would not go amiss. Gwynne Howell's doddery Pogner is starting to fray at the edges, but he never takes the part for granted.

As Hans Sachs, John Tomlinson is mis-cast and mis-directed. He sings with unrelenting loudness – a fatal mistake, because the voice needs something in reserve for the two "public" monologues at the end. With no legato to speak of, the great meditative soliloquies at the start of Acts 2 and 3 turn into raspy, short-fused expressions of frustration. This is a pro-active Sachs, lusty and impetuous rather than wisely reflective. I admire Tomlinson's passionate commitment, but he has allowed every part to become Wotan's clone.

# INTERNATIONAL ARTS GUIDE

## AMSTERDAM

**EXHIBITION**
**Joods Historisch Museum**
Tel: 31-20-6269945
● Joden in Berlijn: exhibition of works from the collections of the Jewish Museum and City Museum in Berlin focusing on the history of the Jewish community in Berlin. Included is a portrait of minister of foreign affairs Walther Rathenau by Edvard Munch; to Apr 1

## ■ ANTWERP

**THEATRE**
**Bourlaschouwburg**
Tel: 32-3-2319750
● Torch Song Trilogy (in Dutch): by Fierstein. Directed by Jean-Pierre de Decker, performed by the Koninklijke Nederlandse Schouwburg; Mar 22

## ■ BASEL

**EXHIBITION**
**Kunstmuseum Basel**
Tel: 41-61-2710228
● Die Letzten Aquarelle von Martin Disler: last August, the Swiss artist Martin Disler died while working on a series of 999 watercolours. This exhibition features the 385 (approximately) works of the series that he was able to finish; to Apr 20

## ■ BERLIN

**OPERA**
**Deutsche Oper Berlin**
Tel: 49-30-3438401
● Aida: by Verdi. Conducted by Miguel Gomez Martinez, performed by the Deutsche Oper Berlin. Soloists include Ute Walther and Vladimir Bogachov; Mar 19

## ■ BOLOGNA

**OPERA**
**Teatro Comunale di Bologna**
Tel: 39-51-529901
● I Puritani: by Bellini. Conducted by Marcello Viotti, performed by the Orchestra e Coro del Teatro Comunale di Bologna. Soloists include Francesco Memeo, Maureen O'Flynn, Laura Brioli and Marcello Alvarez; Mar 20, 22

## ■ BRUSSELS

**EXHIBITION**
**Palais des Beaux-Arts**
Tel: 32-2-5078200 (Concerts)
● De Kunst van het Verzamelen: major exhibition of 20th century works of art from the collections of five Dutch museums: the Van Abbemuseum (Eindhoven), the Haags Gemeentemuseum (The Hague), the Museum Boymans Van Beuningen (Rotterdam), the Museum Kröller-Müller (Otterlo) and the Stedelijk Museum (Amsterdam). Artists include Picasso, Mondrian, Dibbets, Nauman, Malevich, Braque, Leger, Dubuffet, Jorn and Klien; to May 25

## ■ DRESDEN

**OPERA**
**Sächsische Staatsoper Dresden**
Tel: 49-351-49110
● Le Nozze di Figaro: by Mozart. Conducted by Wolfgang Rennert, performed by the Sächsische Staatsoper Dresden. Soloists include Olaf Bär, Birgit Fandrey and Christiane Hossfeld; Mar 20

## ■ LONDON

**CONCERT**
**Royal Festival Hall**
Tel: 44-171-9604242
● London Philharmonic Orchestra: with conductor Roger Norrington and tenor John Mark Ainsley perform works by Haydn and Britten; Mar 19

**EXHIBITION**
**Tate Gallery** Tel: 44-171-8878000
● Lovis Corinth: retrospective exhibition devoted to Lovis Corinth, one of tha leaders of German Impressionism. The display includes nearly 150 paintings, approximately 60 drawings and watercolours, and a selection of prints; to May 4
**The Hayward Gallery**
Tel: 44-171-9604242
● Yoko Ono and Fluxus: tha first exhibition to document Ono's work alongsida that of tha Fluxus movement. On displey are installation pieces, film, photography and sculptures; to Mar 23

## ■ MADRID

**EXHIBITION**
**Fundación la Caixa**
Tel: 34-1-4354833
● Amelia Peláez, Frida Kahlo, Tarsila do Amaral: exhibition showing the history nf Modernism and the roots nf contemporary art in South America through the work nf three female artists: Amelia Peláez, Frida Kahlo and Tarsila do Amaral; to Apr 27

## ■ MUNICH

**DANCE**
**Cuvilliés-Theater – Altes Residenztheater**
Tel: 49-89-296836
● Giselle: choreographed by Peter Wright (after Coralli, Perrot and Petipa) to music by Adam, performed by the Bayerische Staatsballet; Mar 19, 21

**EXHIBITION**
**Neue Pinakothek**
Tel: 49-89-23805-195
● Manet bis Van Gogh; Hugo von Tschudi und der Kampf um die Moderne: exhibition devoted to Hugo von Tschudi, director of the Alte Nationalgalerie in Berlin from 1896-1908 and of the Königlich Bayerischen Galerien in Munich from 1909 until his death in 1911. The exhibition salutes his leading role in introducing French impressionist art to Germany. Artists on display include Manet, Rodin, van Gogh, Matisse, Renoir, Gaugin and Monet; to May 11

## ■ NEW YORK

**CONCERT**
**Avery Fisher Hall**
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Christian Thielemann and pianist Olli Mustonen perform works by Schumann, Mozart and Strauss; Mar 19, 20, 21, 22

## ■ PARIS

**CONCERT**
**Salle Gaveau**
Tel: 33-1 49 53 05 07
● Thérèse Dussaut and Constantin Bogdanas: the pianist and violinist perform works by Poulenc, Ravel and Fauré; Mar 19

**DANCE**
**Théâtre des Champs-Elysées**
Tel: 33-1 49 52 50 50
● Kölner Rundfunk Orchester: with conductor Hans Vonk and violinist Shlomo Mintz perform works by Weber, Mendelssohn and Stravinsky; Mar 19

## ■ ROTTERDAM

**EXHIBITION**
**Kunsthal** Tel: 31-10-4400301
● Mondriaan uit de collectie Haags Gemeentemuseum: display nf more than 150 paintings, watercolours and drawings completed by the Dutch artist before 1920; to Jun 8

## ■ VIENNA

**CONCERT**
**Musikverein** Tel: 43-1-5058681
● Göteborg Symphony Orchestra: with conductor Neeme Järvi perform works by Stenhammer, Tubin and Prokofiev; Mar 21

**EXHIBITION**
**Kunstforum der Bank Austria**
Tel: 43-1-5320644
● William Turner. Die Retrospektive: retrospective exhibition devoted to the work of the British painter, with the main focus nn the landscapes, seascapes and historical paintinge which Turner created throughout his career. The display features some 70 paintinga with a further 70 works on paper. Most of the pieces come from the collection of the Tate Gallery in London; to Jun 1

## ■ WASHINGTON

**Opera House**
Tel: 1-202-416-4600
● Elektra: by R. Strauss. Conducted by Heinz Fricke, performed by the Washington Opera. Soloists include soprano Eva Marton, mezzo-soprano Ruthild Engert, soprano Karen Huffstodt, baritone Richard Paul Fink and bass James King; Mar 19, 22



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**CNBC:**

08.30
*Squawk Box*

10.00
*European Money Wheel*

18.00
*Financial Times Business Tonight*

FINANCIAL TIMES
Tuesday March 18 1997



# Weak yen fuels rise in Japan's trade surplus

By Michiyo Nakamoto in Tokyo

Japan's trade surplus rose in February for the first time in 27 months on an annual basis, reflecting the impact of a weaker yen and fuelling concerns about renewed friction with its trading partners.

The politically sensitive surplus with the US, Japan's single largest trade partner, was 12.8 per cent above last February's level. The overall 6.5 per cent increase, on an annual basis, to Y686.7bn ($5.5bn) included a 20.2 per cent rise in the surplus with its Asian neighbours, while the surplus with the European Union grew 3.2 per cent.

Analysts said the yen's weakness had slowed imports and increased exports. Exports of cars and electronic equipment surged as the currency weakened and helped Japanese products to improve price competitiveness overseas.

The value of car exports rose 15.1 per cent, following a 50.3 per cent surge in January.


Car exports to the US rose 15.4 per cent as Japanese carmakers increased exports of popular recreational models not manufactured in the US.

Car exports to the EU increased by 7.6 per cent.

Imports grew 10.8 per cent, the slowest rate since last March and a figure likely to increase international pressure on Japan to stimulate its domestic economy.

Mr Lawrence Summers, deputy US treasury secretary, made no secret of growing US concern over weakening Japanese imports when he was in Tokyo this month.

Imports of manufactured goods from Asian countries were particularly affected as Japanese companies shifted to domestic products. Car imports dropped significantly from last year's high levels.

Ms Mineko Sasaki-Smith, economist at CS First Boston in Tokyo, said Japan's trade surplus has been on a rising trend for some time in unit terms, but this had been masked in value terms by high oil prices and the weak yen.

She expected the upward trend to continue because next month's rise in consumption tax will dampen consumer demand, while the strong dollar will continue to fuel US demand for imported goods.

# Venezuela eases the cost of employee bonuses

By Raymond Colitt in Caracas

Venezuela's government, industry and trade unions yesterday agreed to cut the high costs to business of the country's pay bonus scheme, which is unique in Latin America.

Domestic and foreign investors welcomed the agreement, which follows 11 years of wrangling under successive governments, as a breakthrough in improving Venezuela's investment climate.

The deal also sharply reduces redundancy costs and benefits related to unfair dismissal.

Mr Jorge Serrano, head of Fedecamaras, the federation of industries, said it showed that Venezuela "continues to take positive steps towards its competitive integration into the world economy".

Until now Venezuelan workers leaving their employers have been entitled to a bonus calculated on their final monthly salary multiplied by their number of years with the company.

But with strong inflation in Venezuela – it soared to 103 per cent last year – the cost of this bonus has risen sharply.

Some companies have made only minimal provisions for the payments, arguing that having to set aside larger reserves would force them out of business.

To help companies finance accumulated bonuses, the new agreement restricts the number of years on which bonuses are based to seven for the private sector and 11 for the public sector.

It also caps the average monthly salary for calculating bonuses. Employers must pay 25 per cent of the accumulated bonus within 180 days after the accord becomes law. The remainder must be paid within five years.

Future pay bonuses will amount to two months plus three days of salary per year of employment, after one year on the job, and will be paid monthly with the salary rather than accumulated. The benefit for business is that salary increases will only affect future and not past bonus obligations.

Mr Antonio Herrera, head of the Venezuelan-American chamber of commerce, said the deal would increase labour stability by cutting the cost of holding on to senior staff.

The more flexible labour system would remove a stumbling block to private investment and "allow for a recovery of real income and consumer demand".

# Advanta warns on $20m first-quarter loss

Continued from Page 1

midday, MBNA, the second largest US issuer after Citibank, was down $8⅛ to $30⅝, while First USA, due to be acquired by BancOne, the Ohio-based commercial bank, dropped $2⅛ to 47¾.

Advanta, which is based in Horsham, Pennsylvania, announced that it had appointed B.T. Wolfensohn, the investment bank, to undertake a "systematic review of its business strategy" in an attempt to maximise shareholder value. This was interpreted by the market as an admission that Advanta had put itself up for sale.

To "deter takeover tactics", Advanta announced a "shareholder rights plan" which would allow all shareholders to buy $300 of stock at $150 in the event that any shareholder built a stake of 15 per cent or more.

Mr David Brooks, who joined the company as its chief operating officer two months ago, resigned.

Analysts believed that large regional banks lacking a significant national presence in credit cards, such as NationsBank and First Union of North Carolina, or BankAmerica or Wells Fargo of California were the most likely acquirers

Ratings agencies immediately downgraded Advanta's debt ratings. Standard & Poor's, the rating agency, said Advanta's charge off rate – the proportion of debts which the bank writes off – had risen to 6.38 per cent in January, up from 5.26 per cent the month before.

The news follows growing evidence that bad consumer debt is rising.

# Betting scandal engulfs racing in HK

By John Ridding in Hong Kong

Horse-mad Hong Kong was shaken yesterday by a probe into the territory's biggest race-fixing scandal for 10 years which has produced 37 arrests.

Five jockeys, two trainers and three staff from the Jockey Club - one of Hong Kong's richest and most prestigious institutions - are among the arrests in the widening investigation.

Racing is effectively the national sport and the Jockey Club, a non-profit organisation which has a monopoly on gambling, last year reported revenues of HK$81bn ($10.4bn), mostly from betting on horses.

More than 200 agents from the Independent Commission Against Corruption (ICAC) investigating race-fixing and illegal bookmaking swooped during a race meeting at the Sha Tin track last Sunday afternoon. They raided fifty-five premises, including suspected illicit betting shops.

The ICAC said Sunday's raid came after an investigation based on complaints from the public and information from the Jockey Club, which numbers among its governing body of 12 stewards the head of the territory's de facto central bank and the son of China's vice president.

Mr Lawrence Wong, the Club's chief executive, said last week that this year's Jockey Club revenues could exceed HK$90bn - about twice the combined annual turnover of Hongkong Telecom, the territory's dominant telecoms group, and Hutchison Whampoa, the conglomerate controlled by Mr Li Ka-shing, the Hong Kong tycoon.

The Jockey Club said it was determined to keep racing in Hong Kong clean. As well as controlling what is effectively the colony's national sport, its stewards also decide on donations by the Jockey Club Charities Trust, Hong Kong's largest charity.

The club said it had been involved in the operation from the start. And to the relief of hundreds of thousands of Hong Kong punters the club added that race meetings would not be affected.

The investigation, which has dominated headlines in Hong Kong, is the second this season. In November a jockey and an apprentice were suspended for nine months following allegations that they held back their mounts in a race.

The latest probe is emerging as the biggest racing scandal since the territory's anti-corruption squad smashed the so-called Shanghai Syndicate, which controlled 75 horses, 10 years ago. As a result Mr Yang yuan-loong, a Shanghai textiles tycoon, was fined HK$5m.

## THE LEX COLUMN

# Securing ADT

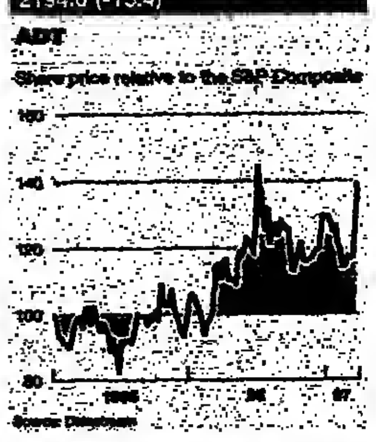
ADT may be unloved in London but it is extremely popular across the Atlantic these days. Yesterday's $5bn recommended takeover including debt from Tyco International is the third bid for the Anglo-American security group in less than a year.

The interest has been sparked by ADT's market leadership in the rapidly growing US electronic security market. With a strong brand and a share of 8-10 per cent, it is larger than its next four rivals combined. Utilities, telephone and cable companies see alarm systems, with their 24-hour monitoring and communication links, as an easy way into a customer's home or business. For Tyco, a diversified manufacturer, the acquisition would also increase its exposure to higher-margin services with a stable, recurring income stream.

And the two companies are promising cost savings of $50m in the first year, rising to $100m in year three, from combining back offices and production. For those benefits, Tyco is paying a very full price of more than 12 times ADT's earnings before interest, tax, depreciation and amortisation. ADT's closest comparators, such as Protection One, trade on multiples of between 5¼ and 10 times.

For ADT shareholders this deal, at more than $27-a-share, is a big improvement on the hostile $22¾-a-share offer from Western Resources. Tyco has an excellent record, so they should have few qualms about its all-stock offer. Western will be hard pushed to beat it, so ADT may finally have found a secure home.

FTSE Eurotrack 200: 2194.0 (-15.4)




## France

Renault may be the most controversial French factory-shutter but it is not alone. In recent weeks two other big French groups – Thomson Multimedia and Pechiney – have announced the closure of five plants in total. Up to a point, investors can greet this concerted ruthlessness as welcome evidence of French nettle-grasping. But they might also spot another striking common characteristic: all six condemned plants are outside France.

This does not look like coincidence. Of course, from the French point of view it may seem no bad thing if political pressures at home encourage businesses to do their dirty work elsewhere. That way, French companies can improve their performance without exacerbating the country's ghastly unemployment problem. But this is a sticking-plaster on a deep wound. It could even make the jobless problem worse; the outlook for jobs, after all, hangs on the competitiveness of French industry. For politically compliant businesses to apply only cushy disciplines inside the country's borders hardly looks the most promising medicine.

It also casts a critical light on the aggressive restructuring hopes which have lately buoyed French equities. Certainly the process looks far more hemmed-in politically than in Germany, whose manufacturing sector has seen savage job-cutting by contrast. Of course, French politicians may not care a *figue* if share prices disappoint. But then again, as ambitious privatisers perhaps they should. And certainly they should be fretting about the perspective of international businesses considering where to invest. Why would any rational multinational locate production in France when sacking staff there is likely to prove a political nightmare? It may seem comforting that Toyota, for one, is nevertheless considering precisely that. But France would be unwise to rely on others being so tolerant of her ways.

## Lonrho

No news has been good news at Lonrho, so the shares fell 8 per cent following its latest trading update. But the reaction is surprising. Since mid-1996, sterling has strengthened, platinum prices have fallen 10 per cent and gold prices 7 per cent, and Ashanti, one third owned by Lonrho, has seen profits collapse. All this adds up to a terrible first half, which Lonrho has duly confirmed. But, because of sugar harvests, the second half is far more important. Besides, deals – rather than short-term earnings – should be driving this share price.

By the time the interim results are announced, the sale of Princess Hotels ought to be completed and the European Commission is likely to have confirmed that Anglo-American cannot vote its 28 per cent Lonrho stake. This would leave Lonrho free to split into independent platinum/coal mining and African trading businesses. It may take a long time. But the cleaning up of its corporate structure, and the release of cash to shareholders, can only be good news.

## UK building societies

Britain's converting building societies are looking forward to a promised land. The run-up to conversion always meant running the risk of a predator intruding with a vulgar cash alternative; hence the stream of aggressive flotation price forecasts, presumably designed to scare raiders off. But talk to managements and life post-conversion sounds altogether calmer. On the face of it, the law will then provide five years of delicious quiet – just fat cheques to collect and fun diversification to launch, with no bidder to fret about. True, one of the government's last legislative gasps, about to become law, does at least remove takeover protection where a converted society itself bids for a rival financial institution. But that aside, many think, management are safe.

Fortunately, they will probably be no such thing. The reason, as converted societies will soon discover, is their new shareholders. Imagine a chunky bid arrives; the management might prefer to ignore it. But if shareholders disagree, the management's legal protection will surely become rather academic. The new law, unlike the present one, allows 75 per cent of shareholders to approve a takeover whatever the management think.

And even failing that, a simple majority should be enough to make a reluctant management's life distinctly uncomfortable. With luck, for all the lobbying the industry has put into preserving protection, it will not be worth the paper it is written on.

Additional Lex comment on Flextech, Page 2



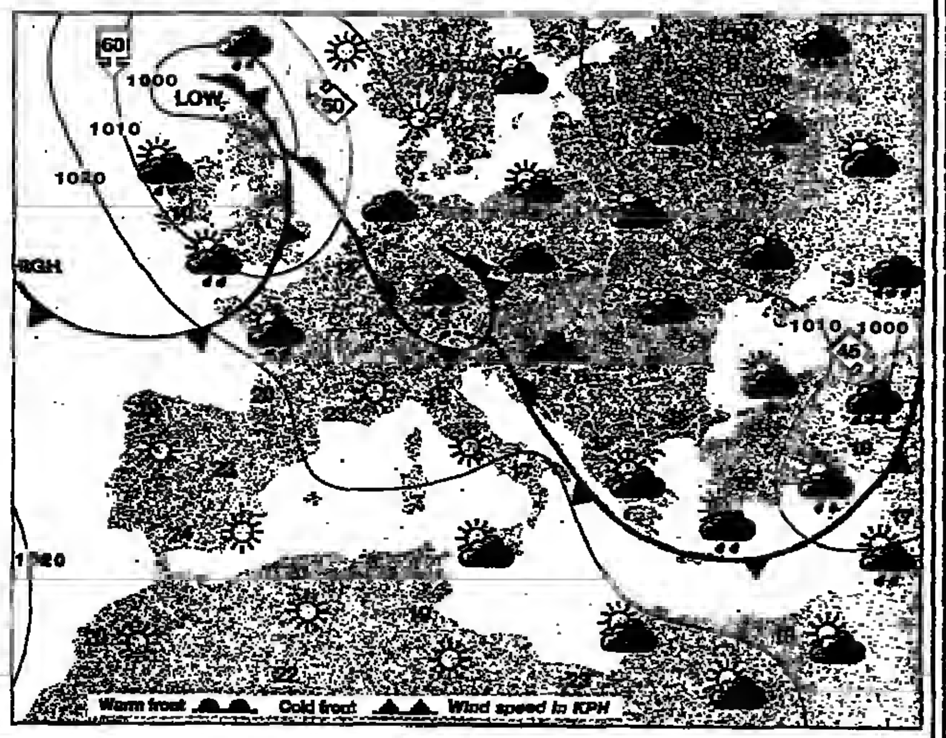
## FT WEATHER GUIDE

### Europe today

Scotland, England and, later on, the Benelux and north-western France will be cloudy and wet. Mild air will move into the north-western continent.
Southern France and the Iberian peninsula will be warm and sunny. In southern Spain temperatures will exceed 25C in places.
Italy and Greece will also have sun.
Cold air will move into most of eastern Europe and temperatures to the north of Bulgaria and Hungary will stay below 5C. Snow showers will be interspersed with sunny spells from eastern Scandinavia to the Ukraine.

### Five-day forecast

On Wednesday north-western Europe will have rain. Cold air and wintry showers will later spread into the area from Scandinavia and Russia.
South-eastern Europe will turn unsettled, but temperatures will start to rise a little on Thursday.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | Maximum Celsius | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Beijing | fair 12 | Caracas | fair 28 | Faro | sun 20 | Madrid | sun 23 | Rangoon | sun 37 |
| | | Belfast | rain 10 | Cardiff | shower 11 | Frankfurt | rain 14 | Majorca | sun 21 | Reykjavik | fair 0 |
| Abu Dhabi | fair 23 | Belgrade | fair 11 | Casablanca | sun 20 | Geneva | sun 18 | Malta | fair 18 | Rio | fair 27 |
| Accra | sun 32 | Berlin | cloudy 5 | Chicago | snow 2 | Gibraltar | sun 19 | Manchester | shower 11 | Rome | sun 18 |
| Algiers | sun 20 | Bermuda | fair 21 | Cologne | cloudy 14 | Glasgow | rain 10 | Manila | sun 33 | S. Frsco | fair 21 |
| Amsterdam | rain 12 | Bogota | cloudy 21 | Dakar | sun 26 | Hamburg | cloudy 8 | Melbourne | sun 27 | Seoul | sun 12 |
| Athens | fair 17 | Bombay | sun 35 | Dallas | fair 24 | Helsinki | snow -2 | Mexico City | fair 26 | Singapore | thund 32 |
| Atlanta | shower 21 | Brussels | cloudy 14 | Delhi | sun 30 | Hong Kong | fair 22 | Miami | fair 29 | Stockholm | fair 1 |
| B. Aires | shower 25 | Budapest | fair 9 | Dubai | fair 25 | Honolulu | shower 27 | Milan | sun 20 | Strasbourg | cloudy 17 |
| B.ham | rain 11 | C.hagen | fair 3 | Dublin | shower 11 | Istanbul | shower 8 | Montreal | fair 0 | Sydney | fair 25 |
| Bangkok | fair 37 | Cairo | sun 20 | Dubrovnik | sun 14 | Jakarta | fair 32 | Moscow | snow -1 | Tangier | sun 19 |
| Barcelona | sun 19 | Cape Town | fair 24 | Edinburgh | rain 10 | Jersey | shower 8 | Munich | rain 11 | Tel Aviv | fair 17 |
| | | | | | | Karachi | fair 30 | Nairobi | fair 31 | Tokyo | fair 12 |
| | | | | | | Kuwait | sun 23 | Naples | sun 18 | Toronto | fair 1 |
| | | | | | | L. Angeles | sun 24 | Nassau | fair 29 | Vancouver | rain 13 |
| | | | | | | Las Palmas | sun 23 | New York | cloudy 7 | Venice | fair 18 |
| | | | | | | Lima | fair 26 | Nice | sun 18 | Vienna | rain 8 |
| | | | | | | Lisbon | sun 23 | Nicosia | shower 17 | Warsaw | fair 2 |
| | | | | | | London | rain 13 | Oslo | sun 4 | Washington | rain 10 |
| | | | | | | Lux.bourg | cloudy 13 | Paris | cloudy 17 | Wellington | shower 17 |
| | | | | | | Lyon | sun 19 | Perth | sun 25 | Winnipeg | fair -1 |
| | | | | | | Madeira | shower 20 | Prague | cloudy 8 | Zurich | fair 15 |

FINANCIAL TIMES

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Tuesday March 18 1997

# The risk to Mideast peace

Another day in the Middle East, another missed deadline in the increasingly precarious peace talks between Israel and the Palestinians. Yesterday's failure, though, was of more than symbolic significance.

Mr Banjamin Netanyahn's right-wing Israeli government and Mr Yassir Arafat's Palestinian Authority were supposed to begin negotiations on the "permanent status" of the occupied territories. Their postponement may have been inevitable. But coinciding as it does with the build-up of tensions between the two sides on a variety of crucial issues, it is deeply ominous for the peace process and for the future stability of the region.

The "permanent status" talks were provided for by the 1995 Oslo accords signed by the previous Israeli government, which initiated practical confidence-building during a five-year transitional period while delaying for a whila discussion of the most contentious issues.

Thus the two sides could agree to Israeli withdrawal from the Gaza Strip and large parts of the West Bank, without prejudice to ultimate sovereignty over the territories, the precise status of a Palestinian government or the even more intractable question of Jerusalem.

The question now is whether that formula can still work, or whether last year's change of government in Israel and the subsequent performance of Mr Netanyahu as prime minister render it irrelevant.

## Unwise concessions

There is room for doubt. Mr Netanyahu claims to be committed to implementing Oslo. But he has never concealed his distaste for the agreement, and his approach to it has too often been cavilling. Worse, such progress as has been achieved has been undone by Mr Netanyahu's unwise concessions to his critics on the right.

Events this year illustrate the point. In mid-January, the prime minister hravely agreed to an Israeli withdrawal from the town of Hebron and to a snbseqnent schedule of redeployments from other parts of the West Bank to be completed by August 1998. He gained international praise, plaudits from his Labour opponents – and fierce criticism from hawks in his own Likud party.

His response haa been a harder line. He has offered a redeployment from rural parts of the West Bank – but on a scale the Palestinians could only regard as derisory. And he has coupled it with a further gesture to appease the right: a plan to develop Har Homa, a Jewish settlement in occupied east Jerusalem that would separate the city from the West Bank and, in Palestinian eyes, pre-empt its final status.

## Accords violated

Like the other sattlements that have been expanding in the past year, Har Homa violates the Oslo accords. It could well be the final blow to current peace efforts: the Palestinians cannot be expected to negotiate with the bulldozers at work in such a contentious place.

What is urgently needed is intervention from the one outside power that can make a difference: the US. An American envoy, Mr Dennis Ross, played a crucial role in securing the Hebron accords in Jannary. President Clinton should now ask him to return to the region and pick up where he left off. Mr Netanyahu should call off the hulldozers and meet Mr Arafat at an emergency summit to restart the painful process of building trust.

This may seem a lot to ask of a prime minister fighting to maintain a fragile and heterogeneous coalition. But he may find such a course to be the lesser of two evils.

If unrest breaks out in the occupied territories and international pressure mounts, shifting Israeli opinion could easily undermine his government. At that point, he would face a choice between inviting Labour into a national unity government committed to moving forward with peace, or joining his ideological soulmates again in opposition.

# The state of the parties

During the next six weeks, the British electorate will be given many vivid descriptions of what the two main parties do *not* stand for. Tories will doubtless try to emphasise Lahour's socialist lineage. Labour, meanwhile, will do all it can to conjure up the harsher aspects of Thatcherism and the silliness of the Eurosceptic right.

Such accusations may seem littla more than tribal war cries. After all, New Labour under Mr Tony Blair has abandoned Clause Four, which from 1918 committed it to increasing state ownership. It baa explicitly declared itself in favour of the market economy, and, more important, has set firm targets for fiscal and monetary prudence.

The Tories, on the other side are led by a man of humbler origins than many opposing him. Mr John Major has strongly consensual instincts and has tried with some success to translate Thatcherite radicalism into the ordinary language of politics.

Yet for those voters who have not already made up their minds, even the coarsest political abuse may focus attention on the main issues. Business voters in particular will want to assess whethar Lahour has undergone a real transformation or a makeover job.

Do the caveats with which the party's intellectuals qualify their market philosophy really represent a new economics? Or do they represent a Trojan horse from which will spring an army of new regulations? Does "fairness" mean a genuinely broader view of society'a needs, or is it a new word for old-fashioned redistribution?

## Uncertain vision

Despite the mass of policy documents produced by Labour, there are still many uncertainties as to how it would give practical form to its vision. So the campaign needs to provide more insight into how and in what direction Mr Blair would ride the capitalist steed. What does he really stand for?

Since tha Tories will be judged more by their works than by faith, many voters will be looking for evidence that Mr Major can do better at controlling his party before they think of offering him another spell at running the country.

Besldes defining what they stand for in these different ways, both parties still have a difficult job to do plugging gaps in their programmes. The Tories must convince the country (as well as hig business) that it could credibly lead the UK as a fully co-operative member of the European partnership, whether in or out of monetary union. Labour, although it has sounded much more positive on this issue, still has some explaining to do.

## Constitutional reform

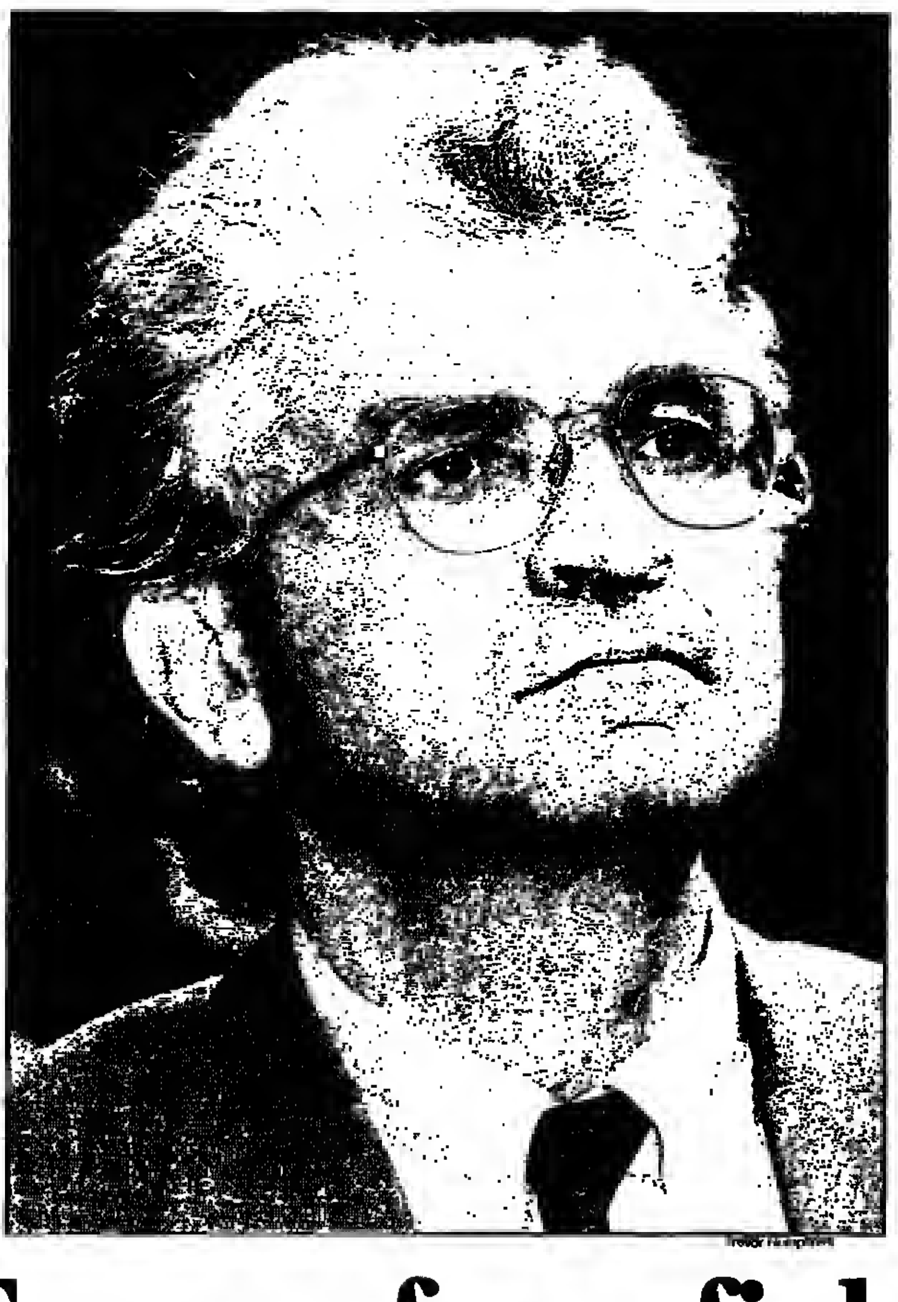
On constitutional reform also, Labour needs also to refine its ideas, especially on the relationship between devolved political power and overwhelmingly centralised public finances. But the Tories will need to dacida whether their entirely negative response on this issue can appear either sensible or popular.

Both parties face perhaps their toughest challenge in selling the consequences of an extremely tight public financing regime. The Tories so far have been much the more imaginative in exploring internal and external market solntions for the pnblic sector.

Labour seems to have understood that it cannot have low taxes and low deficits yet meet all public aspirations for health, education and welfare in traditional ways. To some extent it has stolen the Tories' clothes, for example in adopting tha public finance initiative. But the party will rightly be pressed during the campaign to explain how it would improve on the present government's performance without breaking its other promises.

These and other issues will be explored in these columns as the campaign developa. Although the polls do not say so, the convergence of the two main parties makes the battle, in policy terms, a close-run thing.

## The FT Interview · Edmond Alphandéry



# Energy for a fight

### Electricité de France is ready to face the competition, its chairman tells **Simon Holberton** and **David Buchan**

Mr Edmond Alpbandéry, the chairman of Electricité de France, appears to have an unenviahle job. The former French finance minister must prepare the world's largest electricity company – which has grown fat in its protected home market – to face a new world of competition from other European companies.

But Mr Alphandéry, 53, is optimistic about the future. In return for opening the French market to foreign competition, ha has persuaded the government to put the state-owned utility's finances on a more commercial basis.

More important, he is now planning to expand EdF'a operations abroad, seeing energy liberalisation as an opportunity as much as a threat.

"The big challenge for us is not only to remain the world's biggest electricity company," be says. "We must build on the company's heritage and strengths, to be the world's most competitive and efficient electricity company."

For 10 years France blocked attempts to liberalise the EU energy market – to protect EdF'a monopoly. But last summer the French government struck a deal with its European partners that offered a gradual opening of European markets to competition without threatening EdF's future ownership and control of the electrical system.

The deal requires France – in common with other EU member states – to open its power sector to competition from the start of 1999, hut initially only to big industrial users. Some 400 companies in France will be allowed to shop around for their electricity supplies, rising to 800 in 2000 and 2,500 hy 2003.

Mr Alphandéry is confident the company will be able to fend off the competition. "Wa want to be impregnable in the European market," he says.

The only area where EdF fears a potential loss of customers is with on-site construction of combined heat and power (CHP) plants, which is the easiest sector for foreign companies to penetrate. But even here, EdF's recent decision to build a 40MW combined heat and power plant with Michelin, the tyre manufacturer, in is a signal it does not plan to give ground without a fight.

One reason for Mr Alphandéry's confidence is that he has renegotiated the relationship between EdF and the state. This "has not in the past been very clear or very healthy," he says.

The issue here, he claims, is not one of state aid or subsidy.

"I know a lot of people, including many readers of the Financial Times, helieve that if EdF is a successful state company, which it is, it must be because it is subsidised. In fact, EdF has probably paid taxes above or at least equal to those of other companies in the sector."

In fact, Mr Alphandéry says, EdF has suffered capricious demands from the French state – including aubsidiaing bydro-electric power, helping France'a disappearing coalfields find new industries and providing subsidised to French overseas territories.

"These levies have often varied significantly from one year to another," says Mr Alphandéry.

As part of the preparations for energy liberalisation, the utility's chairman has agreed to changes in its balance sheet that mean it will become subject to "the same rules applicable to all other companies". The reform will boost EdF's capital from about FFr40bn ($6.9hn) to FFr79hn, by in effect granting it ownership of the electricity grid.

The government will levy an annnal 3 per cent on the increased capital compared with the 5 per cent charged today. In return, it will abandon requirements to support social policy objectives.

In the quest for normality, EdF is making a sacrifice of its own by abandoning its tax carry-over from losses made in the late 1980s. Starting this year, it will resuma paying corporation tax, plus a "dividend" of 40 per cent of post-tax profits. This is "about the norm" for the industry, says Mr Alphandéry.

Change at EdF has not come without cost. A reorganisation of senior management last year produced a revolt, with one top manager taking the company to court to challenge Mr Alphandéry's right to restructure management. There was much grumhling among other senior managers not used to seeing the chairman – who has traditionally heen responsible for the company'a relations with the state – taking such an active role in its internal affairs.

Sitting in his office and sunk deep in a soft leather sofa, Mr Alphandéry appears to have turned his attention beyond past battles, fresh as they still are. The changes "were not easy – they raised questions and criticism", he admits.

"The reason why I reorganised the senior management of the company was first to make it more responsive and second to give it direction. Ever since I joined EdF I felt an anxiety among the staff."

With these changes under his belt, Mr Alphandéry is excited about the future. EdF is well over the hump of repaying the debts huilt up to finance its investment in nuclear generation. France has 55 nuclear reactors producing 80 per cent of the country's electricity, the largest concentration of nuclear power in any advanced country.

"EdF is one of the great engineering companies of Europe," says a senior UK power industry executiva. "It is formidably competent. They built and commissioned 40 pressurised water reactors in the time it took the UK to huild one."

The heavy inveatment in nuclear generation behind it, EdF is now a highly profitahle company. In its 1996 results, published last week, net profit was np 58 per cent to FFr1.9hn, even after a FFr2.5bn back payment of social security contrihutions. Operating profits more than doubled to FFr5.9bn.

At the end of last year, EdF owed FFr132bn, a debt it intends to reduce to FFr100hn hy 2000. The ratio of debt service to turnover has fallen to 4.8 per cent from 28 per cent in 1985.

With interest rates falling, Mr Alphandéry believes the priority should now he on cutting tariffs. The company has committed itself to cutting average electricity prices by 14 per cent in real terms over the next four years, beginning with a 6 per cent cut this year.

Snch reductions will help in the defence of its domestic market, although price cuts will not be especially targeted to henefit the big industrial users whicb will soon be free to choose their supplier. "Discrimination would be a serious mistake," Mr Alphandéry says, "beceuse we want to keep all of our 29m customers."

The longer-term aim is to be sufficiently financially strong to pay for the next stage of EdF's nuclear development. In about 15 years, the company will have to decide on the technology to replace its nuclear plants. If it sticks with nuclear generation, as most analysts expect it will, the investment will be considerable.

The replacement value of its nuclear assets today would be about FFr600bn, of whicb FFr100hn would he needed to decommission existing plants. EdF has already made provisions of FFr38bn for decommissioning and, to make tbese provisions more credihle, Mr Alpbandéry announced last week that it would identify FFr2bn worth of assets each year for eventual sale.

EdF's nuclear strategy could come under pressure as a result of falling gas prices in Europe. A study of competing technologies by Frencb industry ministry three years ego concluded that, over the long term, nuclear power was 30 per cent cheaper than gas, its nearest rival. The margin in favour of nuclear generation is now evaporating.

But EdF officiala believe nuclear power will remain attractive in a country where security of energy supply has been a coocern of the government since before the second world war wben the country was dependent on German coal. The nuclear industry enjoys bipartisan support from France's political elite, with little of the organised opposition to nuclear power stations seen in Germany and Britain.

EdF's optimism for the future is not only based on the domestic prospects: it is also hoping to take advantage of EU energy liberalisation to enter other European markets.

It already owns foreign assets worth nearly $2bn after a flurry of activity whicb saw it take a stake io Ligbt, tbe Rio de Janeiro-based electricity producer and distributor, and a 20 per cent interest in Motor Columbus, a dominant participant in the Swiss electricity industry. Last year it also increased its investments in Argentina.

The company is well-known in China, where EdF was the first company to be awarded a build-operate-transfer contract for a power station – a 700MW coal-fired station at Laihin in Guangxi.

Mr Alphandéry says EdF plans to invest FFr4bn a year in foreign ventures. Part of the reason for foreign investments, he says, is to provide EdF with assets that can be sold in the future at a profit to finance its nuclear plans. "But to say we were investing exclusively for this purpose would be a mistake," he adds.

In the past, "French governments were very reserved about EdF investing abroad, because they saw it as a [domestic] public service," the former minister says. But he has persuaded the government of the merits of foreign investment, provided it is confined to electricity, carried out with solid industrial partners and – above all – profitable.

"EdF is number one in production and customers; it is number one in the power industry in transmission and distribution," he says. "There is a great call for investment in electricity around the world. We have the people, the technology, the reputation, the *savoir faire* and the financial capacity to participate in this. Why should France not go into these projects – especially where the profitability is so high?"

# · OBSERVER ·

## Noddy's big adventure

■ British actors are lording it in Hollywood and Britpop is a global sensation, but can a little boy with a floppy hat take the US by storm?

Despite being a household name in his native land, Noddy has never made much headway with America's tiny tots. Leisure company Trocadero hopes to change all that; yesterday it announced a 40-part animated series which will be shown coast to coast on public service television.

"PBS is the breakthrough medium for pre-school kids," says Trocadero boss Nick Leslau. The company last year acquired the rights to characters created by the late Enid Blyton including Noddy and his Toy Town chums Big Ears and Mr Plod the policeman.

But isn't Noddy a little bit, well, twee for the US market? Not so, says Leslau. Market research shows that under-fives the world over have much the same tastes in light entertainment. Besides, the new series will be tailored to fit the American mainstream; Noddy will get a "gentle" American accent in place of his plummy British tones.

Leslau points out that Thomas the Tank Engine products have global sales of $1.5bn and thinks the little chap with the yellow car could he just as big. A range of merchandising is expected to hit mid-America's shopping malls in time for the launch of the TV show next spring; order your Mr Plod carpet slippers early to avoid disappointment.

## Fighting talk

■ In case anyone thinks that Fidel Castro wears his military fatigues just for show, the 70-year-old Cuban president has revealed he would like nothing better than to die with his soldier's boots on.

Castro, who has held the military title "Comandante" since the 1959 revolution when he toppled dictator Fulgencio Batista, told a military parade in Havana that he was not afraid of death. And he left no doubt about the kind of end he would prefer: "We hope that Death will be generous enough, when our turn comes, to allow us to have the ability to squeeze a trigger, or throw a grenade, or push a button and detonate a big mine."

There's not much doubt either about Castro'a enemy of choice: "The weapons of the revolution and socialism will not be given up without a fight. We are ready to hand them over to the United States, but only if they come and try and take them away, one by one, fighting face to face, with all possible means, even bayonets, to the death." Good to see he's mellowed with age.

## Split ends

■ Maintaining a united front in Philippine politics is no easy matter. The latest organisation to come a-cropper is the so-called United Opposition Against Charter Amendments, a collection of opposition politicians dedicated to stopping president Fidel Ramos altering the constitution to allow himself a second term.

Its members are united in opposition to charter change primarily because a second term for Ramos would get in the way of their own presidential ambitions. So the suggestion that the group should field a single candidate to fight next year's presidential elections has not gone down well.

On the surface the single-candidate strategy makes electoral sense. But try telling that to Miriam Santiago, the ambitious and feisty senator who still claims that Ramos cheated her out of an election victory in 1992, or Joseph Estrada, the tough-talking populist vice-president who is a front-runner to take over from Ramos.

Needless to say, the proposal has fallen on deaf ears and looks likely to spell the early demise of the umbrella group. As one Manila diplomat observed: "A united opposition sounds nice but it was never going to work. Frankly, I'm surprised the group lasted as long as the launch."

## Booked

■ In his 1987 autobiography, Joaquin Balaguer, the Dominican Republic's former president, left a blank page. He said it was reserved for information about the murder of Oscar Martinez, a journalist gunned down in March 1975. Balaguer said that he knew who was responsible and promised that 20 years after his death, someone he has already designated would fill the blank page.

But the former president, who ruled the country with a strong arm for almost 30 years until he retired in August, may have to name names sooner than expected. Judge Juan Miguel Castillo has ordered that Balaguer, now 90 years old, should be questioned about the murder and that two former generals should be arrested.

The episode shows just how much the Caribbean country has changed since Balaguer left office. When he was in power any judge making such a ruling would have feared becoming the subject of a blank page themselves.

## The Financial Times

### 100 years ago

**Troops To Manila**

According to a telegram from Madrid, the Spanish Cabinet has been discussing the advisability of sending more troops to Manila, and also the question of having a new silver coinage struck for the Philippine Islands. It appears to us that it would have been wiser to ascertain whether the Government can be certain of retaining the Philippines before discussing a new coinage for them, seeing that the image and superscription on the coins might prove distasteful to a Republican Government. Possibly the Cabinet hopes to defray part of the cost of the war by the profit on the coinage.

### 50 years ago

**Sweden's Problem**

The naws of the extension of the imports ban by the Swedish authorities is an indication that the strain of international events on Sweden's economy, coupled with her own raw materials and labour shortage, is increasing rather than relaxing. This state of affairs comes a surprise to many who imagined that Sweden, enriched hy neutrality, and with an unassailable foreign exchange position, was troubled only by the problem of how to keep her wealth.

# Bail-out of Gan 'could cost FFr30bn'

By Andrew Jack in Paris

The total cost to the French taxpayer of bailing out Gan, the troubled state-owned insurance group, could be as much as FFr30bn ($5.23bn), its former chairman warned yesterday.

Mr Jean-Jacques Bonnaud, who was sacked by the government late last year, said the final cost of the group's exposure to poor property lending could add a further FFr10bn to the FFr20bn estimate in the rescue plan announced last month.

Separately, an official close to the discussions over the rescus plan admitted that the final costs could ultimately be as high as FFr25bn, while stressing they could also be as low as FFr15bn.

The uncertainty stems primarily from the value of a guarantee by the state to cover the future losses incurred by a portfolio of property loans. A detailed analysis of the costs will be an important factor in determining whether – and on what terms – the European Commission in Brussels approves the Gan package. It opened an inquiry at the start of this month.

The new figures come after the head of the National Assembly finance commission last week estimated that the ultimate cost of the government's rescue package for Crédit Lyonnais, the state-owned bank, could run to FFr130bn, well beyond the existing FFr50bn platform approved by Brussels.

Mr Bonnaud also criticised the fact that the government had delayed so long in putting together a rescue package for Gan, stressing that he had asked for more than FFr10bn in support during 1994, and that if action had been taken at that time, the final costs would have been lower.

He proposed at the time a recapitalisation of FFr4bn, a FFr3bn issue of convertible bonds and FFr4bn in state guarantees to shore up the group against the escalating costs of its property lending portfolio.

Some have criticised Mr Bonnaud for failing to negotiate more effectively and more quickly, and his subsequent decision not to resign when ministers refused his demands and offered a recapitalisation of less than FFr3bn in 1994.

However, most of the blame for Gan's losses has been directed at Mr Jean-François Heilbronner, Mr Bonnaud's predecessor, who launched an aggressive programme of cutting insurance tariffs, and took full control of UIC, the specialist property lending subsidiary of its CIC banking arm which has since drained the insurer's resources.

Mr Bonnaud was sacked by the government last November after he criticised attempts to privatise CIC rapidly ahead of Gan's own sell-off. The move was widely seen as political revenge for his opposition to the nomination of a senior adviser to Mr Alain Juppé, the prime minister, as head of CIC.

# Bank Austria unveils Sch3bn rights issue

By Eric Frey in Vienna

Bank Austria, the country's largest bank, yesterday announced a Sch3bn ($251m) rights issue in June to help pay for the Sch17.2bn takeover of Creditanstalt, the second largest. Mr Gerhard Randa, chairman, also disclosed plans to integrate Creditanstalt operations into the group.

Bank Austria will issue between 7m-8m non-voting preference shares as part of the capital raising. It also plans a share-swap offering to minority shareholders at Creditanstalt, who hold 30 per cent of voting rights and 50 per cent of total capital.

Mr Randa did not disclose the terms of the stock swap, which will be based on a valuation of both banks by two intarnational investment banks.

It also emerged yesterday that the government may sell its 17 per cent stake in Bank Austria – worth around Sch8bn – in a public offering.

In a first step towards a full merger, Bank Austria and Creditanstalt will fuse their investment banking operations and foreign branches. The two banks will remain formally independent, but their strategies will be closely co-ordinated, Mr Randa said.

Ha added that Bank Austria could gain Sch5bn in cost savings and additional earnings over five years through the merger.

Mr Randa did not announce a new chairman for Creditanstalt. Mr Guido Schmidt-Chiari, the current chief executive who opposed the takeover, resigned at the weekend, and most of Creditanstalt's management board is expected to leave with him. The new board will be appointed after a special shareholder meeting in April which will also elect a new supervisory board.

Bank Austria yesterday reported 1996 operating earnings up 7 per cent, from Sch4.85bn to Sch5.3bn. Net income, however, fell from Sch2.2bn to just under Sch2bn. The dividend will rise from Sch10 a share.

Creditanstalt reported earlier this year unchanged operating earnings of Sch6.2bn for 1996 and a 50 per cent increase in net income, from Sch2.2bn to Sch2.6bn.


Gerhard Randa, Bank Austria chairman: issue will help his company pay for Creditanstalt

# Tractebel and Powerfin set for $8bn merger

By Neil Buckley in Brussels

Belgian ntility group Tractebel is expected to announce today a merger with its 63 per cent-owned investment subsidiary Powerfin, to create an enlarged international energy group valued at more than $8bn.

Powerfin, whose remaining shares are quoted on the Brussels bourse, is an intermediate holding company which has been the vehicle for much of Tractebel's aggressive overseas expansion strategy, including projects in Hungary, Chile, China, Oman and India.

Tractebel, which 'dominates the Belgian energy sector through control of electricity and gas monopolies, indicated at the end of last year that its board would decide on the merger when it considered its 1996 results today.

Speculation that the merger was likely to be approved grew when Powerfin postponed by a day the announcement of its 1996 results, originally scheduled for yesterday.

It is thought the merger will be achieved through a capital increase at Tractebel, followed by a share swap with Powerfin and cancellation of the latter's shares.

Without other changes, that would result in an increase in the number of publicly-quoted Tractebel shares, and a dilution of the 65 per cent stake held by Société Générale de Belgique, Belgium's biggest holding company. SGB increased its holding in Tractebel from 40 to 65 per cent last September when it bought a stake for BFr49bn.

Analysts say the merger with Powerfin is a logical step which will create an integrated group better able to take advantage of its mature but highly cash-generative Belgian activities to fund expansion into faster growing markets elsewhere.

Tractebel may also be tempted to bring its international activities under more direct control, as it faces the expected merger of its ultimate parent, France's Compagnie de Suez, with another utility, Lyonnaise des Eaux.

Electrabel, the Belgian electricity and gas utility, said net consolidated profits rose 5.5 per cent last year, from BFr28.8bn to BFr30.4bn ($867.3m), despite an electricity price reduction programme that knocked BFr1.3bn off turnover, writes Neil Buckley.

Further price cuts this year would lead to a recurring reduction in turnover of about BFr1.5bn, the company said. The cuts were imposed last April by Belgium's Electricity and Gas Monitoring Committee, the regulatory body which sets prices. Electrabel is Belgium's biggest company by market capitalisation, but is 44.4 per cent-owned by Tractebel, the utility group, controlled by Société Générale de Belgique, Belgium's largest holding company.

The company said total turnover rose 2.6 per cent, from BFr215.9bn to BFr221.5bn. Electricity turnover rose 0.9 per cent to BFr117.6bn, with a 3.9 per cent increase in volumes for public distribution offset by a 0.6 per cent fall in supplies to industry, and by the fall in prices. Electricity prices fell 0.9 per cent from 1995; with inflation running at 2.1 per cent, the real price decrease was 2.9 per cent.

Natural gas turnover rose 14.5 per cent to BFr29.72bn. The continuing growth of the Belgian market for domestic gas, plus colder weather, helped lift sales volumes 16.3 per cent.

The company is proposing a 3.8 per cent increase in the net dividend per share from BFr339 to BFr352.

## INTERNATIONAL NEWS DIGEST

# Sonae surge in line with forecasts

Sonae Investimentos, the holding company for Portugal's biggest retail and industrial conglomerate, lifted net consolidated profit 61 per cent in 1996 to Es20.1bn (117.6m) from Es12.9bn in 1995. The increase was in line with market expectations. The group is to pay a 1996 dividend of Es150 a share, unchanged from 1995.

Sales rose 27 per cent to Es451bn from Es356bn in 1995. The group, whose supermarket chains in Portugal and Brazil account for about 60 per cent of net earnings, forecast sales growth of 15-20 per cent this year. New ventures in specialised retailing, including Maxmat, a construction materials chain, and Quelle, a catalogue sales joint venture, would contribute to increased sales, the group said. Modelo Continente, the group's main retail division, increased consolidated net profit from Es7bn to Es8bn. Operating profit rose from Es12.5bn to Es14.3bn. Sales grew from Es207bn to Es286bn.

■ Grosvenor Estate Holdings, the UK property company, is to acquire 25 per cent of Sonae Imobiliária, Portugal's biggest shopping centre developer and operator, for Es8bn ($47m). The purchase, to be completed within two weeks, comes ahead of a planned public offer of 24 per cent of the Portuguese company on the Lisbon stock exchange later this year. *Peter Wise, Lisbon*

## French TV rivals in deal

Canal Satellite, owned by the French pay television group Canal Plus, and one of its two rival domestic services ABSat, yesterday agreed to allow their subscribers to receive each other's broadcasts using a single decoder.

The "simulcrypt" agreement will allow subscribers to use a single electronic card to operate their respective decoders, which are sold by ABSat and rented by CanalSatellite. The two groups stressed that the contract only covered reception, and that they would each retain complete commercial freedom, and their own respective marketing, subscriber management and promotion services. *Andrew Jack, Paris*

## Sabic hit by lower prices

Net profits of Saudi Basic Industries Corporation (Sabic) fell 30 per cent to SR4.4bn ($1.17bn) last year from SR6.3bn in 1995 and SR4.2bn in 1994. Lower international prices for petrochemicals were responsible for last year's profit decline. Production at the giant Saudi conglomerate, which is 70 per cent owned by the government, rose 4 per cent to 23m tonnes. Chemicals accounted for more than half of Sabic's production. Sabic aims to increase annual production capacity to 28m tonnes by 2000.

*Robin Allen, Dubai*

## GIC increases profits

The Gulf Investment Corporation (GIC) group, owned by the governments of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, has reported a 6 per cent increase in profits to $122.9m for last year compared with 1995 and $62.2m in 1994. GIC makes equity investments in Gulf business ventures and offers advisory services on project finance and privatisation. *Robin Allen*

## Italy highway operator slips

Autostrade, the Italian state-controlled operator of toll highways due to be privatised this year, saw its consolidated net profits decline to L160bn ($94.5m) in 1996 from L165bn in 1995. Consolidated revenues rose 5 per cent to L3,254bn, while net debt fell from L5,265bn in 1995 to L4,669bn at the end of last year. The group's main operating company saw its net profits rise 3.6 per cent to L160bn in 1996 from L155bn the year before. Revenues rose 2.6 per cent to L2,786bn. *Paul Betts, Milan*

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## IN BRIEF

### EU gives warning on Boeing deal

Controversy surrounding Boeing'e plan to take over McDonnell Douglas, the rival US aircraft maker, intensified when Mr Karel Van Miert, the EU competition commissioner, suggested that the regulatory hurdles could be higher than expected. Page 26

**Salomon to sell Basis Petroleum**
Salomon Inc, parent of US investment banker Salomon Brothers, has agreed to sell Basis Petroleum, its oil refining, business, to Valero Energy Corporation for $485m. The sale will result in an after-tax loss for Salomon of $290m. Page 26

**GAN bailout could cost FFr30bn**
The total costs to the French taxpayer of bailing out GAN, the state-owned insurance group, could be as much as FFr30bn ($5.21bn), warned its former chairman, Mr Jean-Jacques Bonnaud, who was sacked by the government. Page 22

**Ahmanson enhances Great Western bid**
The battle for Great Western Financial, the US thrift, intensified when H.F. Ahmanson enhanced its $6bn hostile offer. Washington Mutual made a $6.6bn white knight bid earlier this month. Page 25

**Philippines warned over tax proposal**
The trade association of foreign mining groups in the Philippines warned that a tax proposed by the government might drive companies out of the country. Foreign mining companies would face an extra 15 per cent levy. Page 32

**Ex-Jardine chief to join CSFB**
Mr Alan Smith, who last year stepped down as chairman of Jardine Fleming, the Hong Kong investment bank, is to take up the number two position in investment banking for Credit Suisse First Boston, the Swiss-American bank, in the Asia region. Page 28

**Demand high for Datang offering**
The Hong Kong tranche of the share offering by Beijing Datang Power is understood to be more than 60 times subscribed, bankers said last night. Beijing Datang wants to raise up to HK$3.13bn (US$404m). Page 28

**Companies in this issue**



**Market Statistics** http://www.FT.com



**Chief price changes yesterday**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **PARIS (FFr)** | | | |
| **Rises** | | | | **Falls** | | | |
| GEHE | 120 | + | 3.50 | Accor | 815 | – | 10 |
| KHD | 16.60 | + | 3.60 | Air Liquide | 875 | – | 35 |
| Rosenthal | 137 | + | 7 | BIC | 884 | – | 30 |
| **Falls** | | | | Bouygues | 558 | – | 21 |
| Altana | 1396 | – | 39 | CCF | 265 | – | 8.90 |
| Henkel | 90.80 | – | 2.70 | L'Oreal | 1926 | – | 68 |
| Mannesmann | 622 | – | 11 | **TOKYO (Yen)** | | | |
| **NEW YORK ($)** | | | | **Rises** | | | |
| **Rises** | | | | Ando Const | 336 | + | 17 |
| ADT | 25⅝ | + | 3⅝ | Dai Nippon Ink | 374 | + | 25 |
| Amer Rlty Nw | 13⅞ | + | ⅞ | Sumitomo Corp | 833 | + | 37 |
| Heritage Med A | 18¼ | + | 6⅛ | Toyo Ink | 454 | + | 21 |
| **Falls** | | | | **Falls** | | | |
| Pediatrix Med | 31¼ | – | 3¾ | Chuo Tst & Bk | 662 | – | 22 |
| Toy Biz | 8¾ | – | 3⅞ | Kaneka | 823 | – | 29 |
| UST | 28⅝ | – | 4⅛ | **HONG KONG (HK$)** | | | |
| **LONDON (Pence)** | | | | **Rises** | | | |
| **Rises** | | | | Amoy Props | 8.95 | + | 0.25 |
| ADT | 1610 | + | 272½ | Cross-Har Tun | 16.85 | + | 0.15 |
| Ransomes | 40 | + | 8 | Sino Land | 8.35 | + | 0.15 |
| **Falls** | | | | Wheelock & Co | 18 | + | 0.20 |
| Flextech | 751 | – | 21 | **Falls** | | | |
| Gowrings | 98½ | – | 5 | Henderson Dev | 8.25 | – | 0.15 |
| Limelight | 142½ | – | 28½ | Sime Dar (UK) | 9.70 | – | 0.10 |
| Widney | 48½ | – | 5½ | **BANGKOK (Baht)** | | | |
| **TORONTO (C$)** | | | | **Rises** | | | |
| **Rises** | | | | Compass East | 111.00 | + | 10.00 |
| Adventure El | 1.85 | + | 0.45 | Prakit & FCB | 71.00 | + | 6.00 |
| Electrohome Y | 9.85 | + | 1.10 | Rockworth Pub | 41.50 | + | 3.75 |
| Kap Resources | 3.05 | + | 0.30 | Siam Steel | 19.75 | + | 1.75 |
| Merlin Intl | 5.40 | + | 0.70 | **Falls** | | | |
| Solitario RSC | 5.70 | + | 0.45 | Banpu | 350.00 | – | 32.00 |
| **Falls** | | | | Renown Co | 77.00 | – | 8.50 |
| Golden Rule | 11.05 | – | 1.25 | | | | |

New York & Toronto prices at 12.30.

# ADT agrees takeover by Tyco

## Michael Ashcroft to be left with personal stake worth about $200m

By Richard Waters in New York

Mr Michael Ashcroft, the British-born chairman of ADT, yesterday capped an extraordinary year with a $4bn agreement to sell his Bermuda-based home security company to Tyco International, a US conglomerate.

The deal marks Mr Ashcroft's second swan-song in less than 12 months, and would close a chapter of one of the most colourful careers in British business.

A planned all-stock sale of ADT to Republic Industries, a company controlled by Mr Wayne Huizenga, the US entrepreneur whose earlier ventures included Waste Management and Blockbuster Video, collapsed last year after Republic's shares tumbled.

In recent months, Mr Ashcroft has also been attempting to fend off a hostile offer from Western Resources, an acquisitive US electric utility.

ADT said it had agreed to an all-stock takeover by Tyco which yesterday valued the company at about $27.40 a share. That compares with the $22.50 in cash and stock offered by Western Resources, and the initial $26 a share value of Republic's offer. Tyco will also assume ADT's debt of more than $1bn.

Mr Ashcroft would be left with a personal stake in Tyco worth about $200m. Though gaining a seat on Tyco's board, he would give up all management duties and not have any involvement in the running of the business, said Mr Dennis Kozlowski, Tyco's chairman.

The deal, structured as a reverse takeover by ADT, would also raise Tyco's profile internationally by leaving it with a listing on the London Stock Exchange. The conglomerate will derive over $1bn of its annual revenues from the UK, Mr Kozlowski said.

Western Resources had not responded to the proposed deal by yesterday lunchtime. However, the move would bring it a handsome return on its 27 per cent stake in ADT, bought more than a year ago. Based on yesterday's values, Western's interest, bought for about $500m, would be worth $1.1bn. The Kansas-based utility would also emerge as the biggest shareholder in Tyco, with a near-10 per cent interest.

Tyco is offering 0.48133 of a share of its own stock for each ADT share. The US company's shares slipped $3⅛ to $56⅞. ADT's shares rose $4 to $25¾.

Together, the companies will have about 10 per cent of the market for installing and monitoring home and office security systems in the US, Tyco said. The group, whose interests include making valves and disposable medical instruments, promised cost savings and other benefits from combining ADT with its activities in installing and monitoring fire control systems.

Lex, Page 20; Low-tech but riding high, Page 26

# Japanese cellular telecoms groups plan tie-up

By Michiyo Nakamoto in Tokyo

Japanese cellular phone companies affiliated with DDI, a long-distance telecoms operator, and cellular phone operator IDO are considering a tie-up to build their next generation digital communications services together.

The eight DDIcompanies, which together make the second-largest cellular phone group in Japan, and Toyota-linked IDO, the fifth-largest, want to produce a digital network using advanced CDMA (code division multiple access) technology to compete more effectively agaiost NTT Docomo, the industry leader.

The move would be a major step towards restructuring Japan's fragmented cellular phone industry, where six groups compete for a market that has grown to nearly 20m subscribers.

The six groups are, however, unevenly placed. NTT Docomo, the only company that provides national coverage, has an outstanding lead over the other five, which are restricted to regiooal coverage by the local licensing system adopted by the telecoms authorities.

NTT Docomo has a market share of almost 52 per cent, as against 17 per cent for the next largest competitor, the DDI group. An alliance would give DDI and IDO a combined market share of about 29 per cent.

Ms Kate Lye, industry analyst at SBC Warburg, said the groups would find it difficult to compete with NTT Docomo after a link-up, as they would be trying to win acceptance for new technology. "I think it's going to be tough to be instant competitioo to NTT Docomo," she said.

Mr Andrew Haskins, industry analyst at HSBC James Capel Japan, said the weakness of the pairing was that neither the DDI group nor IDO offers national coverage. DDI is restricted to western Japan, centring on Osaka, while IDO is restricted to the area of eastern Japan around Tokyo.

DDI and IDO already offer roamiog services, which enable subscribers to one group to use the other's network. But they do not market their services together as a package, restricting the impact of sharing roaming services.

# Pearson to invest £100m in FT

By Raymond Snoddy in London

Pearson, the UK media, information and entertainment group, is to invest up to £100m ($159m) in the Financial Times newspaper over the next five years with the aim of increasing international circulation.

New contract printing plants will be established in Milan and Singapore but the main thrust of the expansion will be in the US.

The announcement was made yesterday by Mrs Marjorie Scardino, the new Pearson chief executive, as the first example of a determinatioo to invest in developing the company's main brands as well as improving performance throughout the group.

Mrs Scardino said that although there would be change at Pearson sha had no intention of making hasty decisions on disposals. Instead the emphasis for now would be "to do better by creating some clear performance measures, goals and rewards if they're reached."

Mrs Scardino outlined her approach as Pearson announced a 30 per cent drop in operating profit to £181m after a £100m charge for accounting "irregularities" at Penguin USA was taken into account. Turnover passed £2bn for the first time to reach £2.186bn and operating cash flow rose 49 per cent to £219m.

Within Pearson, the Financial Times showed the greatest year-on-year growth in profit with operating profit up 123 per cent to £16.5m after provisions with a margin of 13.7 per cent.

Yesterday's announcements disappointed some investors who had hoped for more news on the future structure of Pearson. The shares fell 15p to 760p.

Mr Richard Lambert, editor of the FT, will be based in New York for 12 months from July to oversee editorial developments in the US and head the FT presence there.

"This is a great opportunity for the Financial Times, and for me. American business is becoming more global in character, and it needs a global business newspaper relevant to its needs. That is what we are going to produce," Mr Lambert said.

The FT in the US will not try to emulate the detailed American coverage of the Wall Street Journal but additional correspondents will be appointed to strengthen business coverage. There will also be a repackaging of content to make it more relevant to US readers.

Overall, the aim is to try to increase the circulation of the FT from its present 300,000 to 450,000.

Mrs Scardino said yesterday she wanted to see "heroic" circulation and equally heroic profits from the FT in future.

Mr Lambert will remain editor and until his return Mr Andrew Gowers, deputy editor, becomes acting editor based in London. Mr Peter Martin will be acting deputy editor and will continue as editor of the international edition.

Pearson also announced yesterday that it will make £50m available to improve products in the Pearson Professional division which carry the FT brand. At her meeting yesterday with City analysts and the press Mrs Scardino had little to say about possible disposals or their timing.

Scardino's evolutionary puzzle, Page 29

## Move completes focus on core electronics business

# Rockwell spins off vehicles arm

By John Griffiths

The $3.1bn turnover automotive components business of Rockwell International is being spun off, leaving the US multinational with core businesses in industrial automation, semi-condnctor systems, avionics and communications.

The spin-off, which will take the form of ooe share in a new automotive company for every three of Rockwell stock, follows the sale by Rockwell of its defence and aerospace businesses to Boeing for $3.2bn last year. "It completes the transformation of our company from a hroadly diversified concern into an enterprise focused largely on commercial electronics markets," Mr Don Beall, Rockwell's chairman, said yesterday.

The remaining businesses in the group are expected to hava 1997 sales of around $8bn, mostly with substantially higher margins than Rockwell has been able to achieve in the fiercely competitive automotive sector.

The core company will have 44,000 employees with operations in around 100 countries. The new company, Rockwell Antomotive, consists of two principal husinesses: heavy and light vehicle systems divisions.

The heavy vehicles division is a major supplier of drive-train components for heavy trucks, buses and off-highway vehicles.

The light vehicles division is an almost fully globalised supplier of sunroofs, door assemblies, suspension, wheels and electronic components to a hroad array of car makers, with plants scattered from Liberec in the Czech Republic to China.

Based in Troy, Michigan, the automotive husinesses employ 16,000 employees world-wide. The heavy and light units will be merged under the president of the heavy systems division, Mr Larry Yost, who has been named president and chief executive of Rockwell Automotive.

Rockwell chairman Don Beall (right): the company transformed into a focused enterprise Picture: AP

The three bnsinesses remaining within Rockwell are: Rockwell Automation, with projected 1997 sales of $4.5bn ;Rockwell Semiconductor Systems, with projected 1997 sales of $1.8bn ;and Avionics & Communications, with projected 1997 sales of $1.7bn for its Collins brand avionics equipment.

It is intended to complete the spin-off by the end of September. Until then the two organisations will continue to operate as a single husiness.

Analysts were generally positive ahout the deal though news of it came sooner after the defence and aerospace disposals than most had expected.

Over the past five years Rockwell's electronics businesses have achieved annual average growth in sales and operating income of 21 per cent and 30 per cent respectively. News of the spin-off left Rockwell's ehares unchanged at $67⅞ in early trading on the New York Stock Exchange yesterday.

# Lonrho profits warning sees shares slide 8%

By Ross Tieman

Trouble-prone conglomerate Lonrho suffered an 8 per cent slide in its share price yesterday after warning that profits during the first half were likely to be a third lower than during the same months of 1996.

Strong sterling, weak platinum prices and a disappointing performance by the company's African trading subsidiaries were to blame, the group said. Shares in Lonrho fell 12½p to 145p.

Stock brokers responded by slicing £15m to £20m from forecasts for Lonrho's profits for the year to September 30. Instead of a modest improvement over last year's pre-exceptional profit of £170m, brokers now believe the company will make about £155m.

The biggest surprise was contained in a warning of "moderate results in our African trading businesses". There had been no indication that the company's portfolio of African interests, from sausage making in Kenya to sugar growing in South Africa, were not continuing to benefit from more favourable conditions in some African economies.

Any profit fall could threaten Lonrho's ambition to demerge its African trading interests later this year.

If underlying profits fail to grow, it will be the first substantial trading reverse since 1992, when Lonrho was obliged to cut its dividend after a 65 per cent fall in interim profits.

The profit revision comes on top of a string of delays in the company's plans to withdraw from hotels and demerge its African trading operations.

Some revision had been expected because of the strong pound and weak precious metal prices.

Lonrho is vulnerable to the strength of sterling because of its overseas interests. Brokers also noted a 10 per cent fall in the price of platinum year on year, and a 7 per cent fall in gold. Lonrho Platinum is a leading producer, while Ashanti Goldfields, of which Lonrho holds 33.3 per cent, has prodnced disappointing results. Lonrho's first half ends on March 31.

The profit warning is an early setback for Mr Nicholas Morrell, who took over from Mr Dieter Bock as Lonrho's chief executive in October, and Sir John Craven, who became chairman earlier this month.

Lonrho shareholders are still waiting for developments in the company's hreak-up plans. Although the group's Metropole hotel chain was sold last year, talks with Prince Alwaleed bin Talal bin Abdulaziz al Saud, the wealthy Saodi investor, over the sale of the Princess chain of resort hotels have yet to reach fruition.

Further uncertainties have been created by a European Commission investigation into the 28 per cent holding in Lonrho controlled by Anglo American, South Africa's biggest company. The Commission has indicated that it objects to the purchase because of concerns over the potential impact on platinum prices. Both companies are hig producers.

Lex, Page 20

# Den Danske acquires Swedish bank

By Greg McIvor in Stockholm

Den Danske Bank, Denmark'e biggest, yesterday signalled a drive into the Swedish market by acquiring Ostgota Enskilda Bank, the country's sole remaining provincial bank, in a SKr2.2bn ($283.5m) deal.

The move marks the most significant incursion to date by a foreign bank into the Swedish banking sector, and adds to the wave of restructuring which has swept through the sector since late last year.

It also makes DDB the first foreign bank to acquire a retail network in Sweden.

Mr Knud Sorensen, DDB chief executive, said the bank wanted to strengthen its position in Sweden in preparation for the opening of a bridge and tunnel link between southern Sweden and Denmark in a few years.

DDB said that it had bought a 77 per cent etake in Ostgöta for SKr2.2bn from Lundbergs, a Swedish property and investment holding company. The offer, which is being extended to all shareholders, values Ostgöta at SKr2.8bn.

The SKr50.50 a share offer represented a heavy premium on Ostgöta's closing price last week of SKr27. The shares quickly rose to the offer level in Stockholm trading yesterday.

Ostgöta, which has 29 branches in southern Sweden, made pre-tax profits of SKr224.3m last year on net interest income of SKr456m.

Mr Sorensen defended the price tag, saying: "The purchase gives us a unique opportunity to break into the Swedish market. If we were to build up a similar branch network ourselves, it would be very expensive and would take time."

Assuming approval from Sweden's Financial Supervisory Authority, the transaction will substantially strengthen DDB's presence in Sweden. It has only one branch, in Stockholm, which is focused on corporate banking services.

The move reflects a growing trend among Scandinavian banks to establish a pan-regional presence. Svenska Handelsbanken, Sweden's biggest bank, has employed a similar strategy to enter Norway and Finland.

Mr Frederik Lundberg, Ostgöta managing director, said that the tie-up would enable Ostgöta - which will retain its name - to offer a complete range of banking services.

The deal follows a round of integration in Swedish banking triggered by the SKr23bn purchase of Stadshypotek, the mortgage bank, by Handelsbanken last year.

Two other banks, Swedbank and Föreningsbanken, last month announced a merger to create the country's second higgest bank.

# Henkel optimistic as profits advance 6%

By Sarah Althaus in Frankfurt

Henkel, the German consumer goods and chemicals company, lifted 1996 net profits 6 per cent from DM488m to DM515m ($303.1m) and said it was looking for an improved performance again this year.

The group has been pursuing an aggressive strategy of global expansion. It said yesterday growth would be fuelled by higher sales on the back of last year's DM2bn purchases of Loctite, the US adhesives and sealants company, and Novamax, the US-based speciality chemicals group.

At the same time, it said Loctite would hold back net profits this year somewhat because of financing costs, write-downs and restructuring. However, Hans-Dietrich Winkhaus, chairman, said: "This is all according to plan, and the positive effects will etart coming through next year."

Turnover rose 15 per cent from DM14.2bn in 1995 to DM16.3bn. Earlier acquisitions, particularly of Schwarzkopf, the Hamburg-based hair care group in which it acquired a 77 per cent stake in late 1995, produced most of the 15 per cent increase.

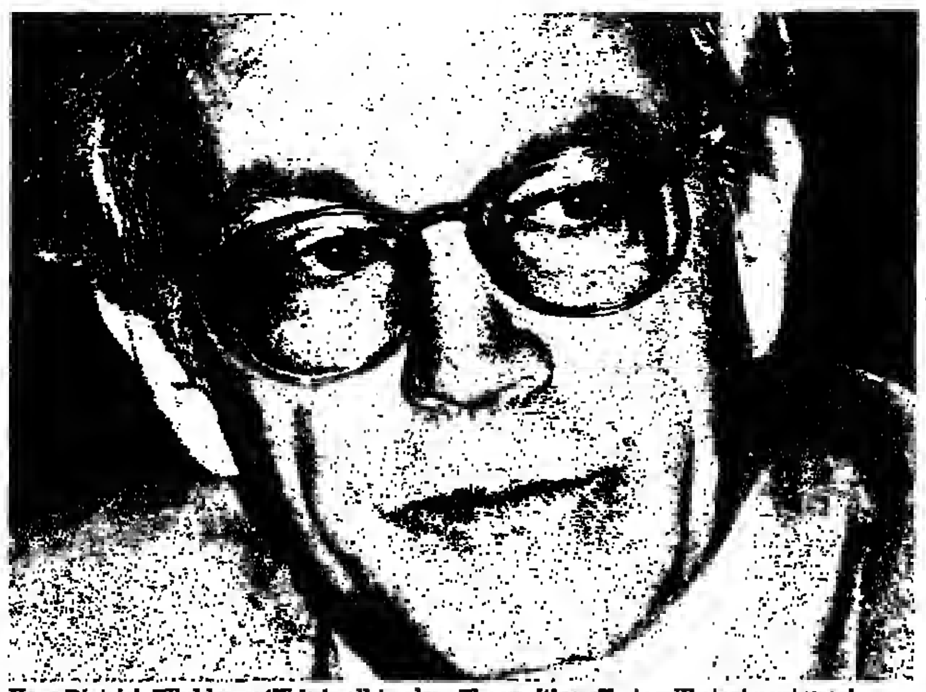
Operating profits rose 3 per cent to DM744m, with strong sales growth helping to offset higher restructuring costs and goodwill write-downs connected with acquisitions. Earnings per share rose from DM3.35 to DM3.70.

However, the figures were below market expectations and the shares closed 2.7 per cent lower at DM90.80. Chemicals were otherwise under pressure in the wake of last week's disappointing figures from Hoechst.

Most of last year's sales growth came from outside Germany, with foreign sales rising 19 per cent to DM10.8bn. Gains were particularly strong in Asia, Australia and Latin America. Domestic sales rose 8 per cent to DM5.5bn.

Operating profits in the chemicals division declined 15 per cent, on a 4 per cent increase in sales. This was because of lower volumes and price declines in oleochemicals, which are made from natural oils.

In metal chemicals and industrial hygiene, profits rose 24 per cent and turnover increased 6 per cent, helped by the Novamax acquisition, cost-cutting and price increases.



Hans-Dietrich Winkhaus: 'This is all to plan. The positive effects will start next year'

Profits from adhesives and technical chemicals rose 4 per cent and sales by 16 per cent.

Sales in cosmetics and hody care almost doubled because of the Schwarzkopf purchase. In the detergents sector, the group said it further expanded its leading share of the domestic market against fierce competition.

Joining a growing club of German companies seeking to improve shareholder value, Henkel said it was planning a stock option plan linking management pay to share performance.

## EUROPEAN NEWS DIGEST

### Citibank offers to buy Polish stake

Citibank, of the US, has offered to buy a strategic stake in the state-owned Powszechny Bank Kredytowy, one of Poland's largest commercial banks. If successful, the bid would give it a leading position in the country's banking system. Citibank, which has started due diligence at PBK, is competing with Samsung, the Korean industrial group, and a local consortium of financial institutions led by the Polish Development Bank (PBR).

HSBC, which is advising the Polish government on the sale, says PBK, with a network of 45 branches, is worth "between $400m and $500m". PBK is the country's sixth-largest bank and reported a 290m zloty ($94m) net profit last year. HSBC has been mandated to place 65 per cent of the bank's equity with a strategic investor by the end of April. The remaining stock will be sold in a public offering later this year.

Citibank's interest follows a five-year campaign in Poland to build up a corporate banking operation and brokerage. Last year it reported a 71m zloty ($24m) net profit on capital worth 442m zlotys. The bank has four hranches in Poland and has already announced plans for a retail network. *Christopher Bobinski, Warsaw*

### SGS ahead 14% but warns

Société Générala de Surveillance, the world's biggest testing and inspection company, yesterday reported a 14 per cent increase in net profits to SFr262.7m ($180m), but warned that the loss of two of its biggest government contracts could hit this year's profits.

The warning follows the surprise termination this month of a pre-shipment inspection (PSI) contract with Pakistan, which was due to run until January 1999. PSI contracts involve the verification of goods at the point of entry or departure. SGS has also had to suspend a PSI contract with Kazakhstan, because of non-payment, and the Indonesian government, SGS's biggest client, is due to terminate its existing PSI contract at the end this month. SGS bearer shares shares fell 4.5 per cent to SFr3,280. Three-quarters of SGS's revenues, and 95 per cent of its operating profits, come from inspection and testing services which are linked to the growth of world trade. Its services cover 140 countries and it operates 35 government contracts.

Operating profits rose 27 per cent to SFr317.4m, but more than a third of the improvement reflected exceptional income, primarily foreign exchange gains. There was also a SFr24.5m turnround into profit at the group's troubled insurance services arm.

The group's earnings per bearer share rose 18 per cent to SFr152.65, helped by the buy-back of 300,000 shares, and the dividend is to be increased by 17.9 per cent to SFr56 per bearer share. *William Hall, Geneva*

### East Asiatic Company ahead

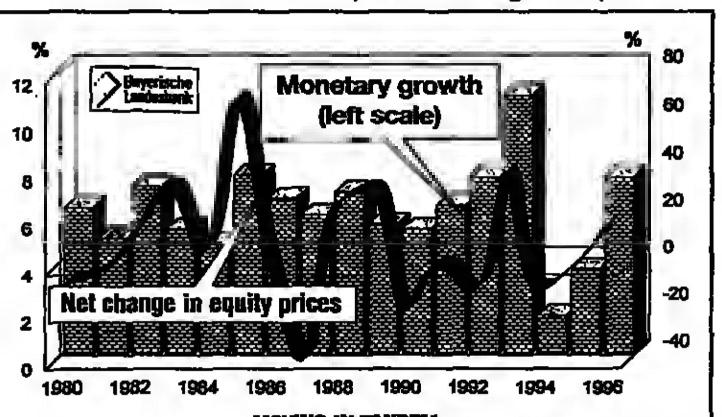
The East Asiatic Company, the Danish trading company with substantial interests in east Asia, lifted profits after tax on ordinary operations from DKr42m in 1995 to DKr180m ($27.75m) last year on turnover which increased from DKr14.42bn to DKr16.45bn. But after extraordinary items, charges for discontinuing operations and minority shares, the net profit slid from DKr271m to DKr177m. *Hilary Barnes, Copenhagen*

## BAYERISCHE LANDESBANK MONEY AND CAPITAL MARKETS

**There are many similarities between the current bond-market situation and the situation during the 1986/87 low-interest period, but a look back also shows major differences.**

## NO SIGNS OF A RATE REVERSAL

The fact that the cut in the discount rate almost a year ago to a level seen only once in the past (between December 1987 and June 1988) did not put paid to the market's interest-rate hopes clearly shows that these hopes no longer depend on




**MOVING IN TANDEM**

While monetary growth and tha net change in equity prices had fluctuated only littla in the 1970s, fluctuations widaned in tha 1980s. Year-on-year fluctuations in equity prices in tha 1990–1996 period ranged from a negative 37 per cent to e positive 72 per cent, with money-supply growth during this period ranging between 1.6 per cent and 10.9 per cent. A point worth noting is the tendency of these two aggregatas to mova in tandem. Whanevar the money supply expanded in tha past faw years, equity prices spiked up noticeably, while in phasas of shrinking money-supply growth equities drifted lowar. Thase parallel movemants are due to the central banks' monetary targeting strategy, which is increasingly becoming potential-oriantad. In the most industrial countries, the equity markets responded highly favourably to this stability-orianted monetary policy.

expectations regarding the Bundesbank's key interest rates alone: the expectation of an extended inflation-free upswing has been gaining ground. This in turn is also having an effect on the fine-tuning by the Bundesbank of the banks' liquidity via the repo rate.

The current situation is similar to that prevailing about a decade ago. The average public-bond yield was also moving in the direction of five per cent in 1986/87, the three-month rate and the yield on ten-year bank bonds was down at 3½ per cent and roughly 6¼ par cant respectively.

But thesa are not the only similarities. The 1986/87 period bears a striking resemblance to the present one also in other respects:

1. The increase in foreign buying of D-mark bonds helped to accelerate the slide in interest rates.
2. Monetary growth exceeded the Bundesbank's target both in 1996 and ten years previously.
3. Both in 1986/87 and 1996, monetary capital formation at credit institutions was significantly below the multi-year average (which is typical of a period of low interest rates), while time and savings deposits expanded at a fast clip.
4. During both periods, banks were the principal investor group in the bond market. Non-banks took third place after foreign investors and were thus at the bottom of the league.
5. Stable prices are a characteristic of both periods. In 1986/87, the retail price index had remained unchanged thanks to falling import prices. In 1996, the cost of living rose by a mere 1½ per cent, and prices promise to remain tame this year.

Sceptics will point out, however, that the 1986/87 period of low interest rates was followed by a rate reversal. The experience gained in those two years suggests that interest rates will take another plunge in the final phase of the down cycle (which will presumably come as early as in the summer months) but then swiftly reverse direction.

Looking back, we note that the three-month rate rose to 4½ per cent by mid-year 1988, moving on to seven per cent by the middle of 1989 and reaching its cyclical peak just short of ten per cent in August 1992. During this period, the yield on ten-year bank bonds climbed to 6.7 per cent in mid-1988 and 7.1 per cent in mid-1989, peaking at 9.1 per cent in February 1990.

But history rarely repeats itself. As the present situation is different from that prevailing in 1986/87, we are unlikely to see a re-run of the past. The principal points of difference are mentioned below:

- The public authorities have embarked on a strict course of budgetary consolidation. As a result, the strain on the capital market caused by public borrowing is steadily diminishing.
- As the corporate sector is amply provided with liquidity, it is to be expected that the predicted revival in capital spending will have only a limited impact on borrowing demand, even if the economic upswing should gain momentum.
- Housing construction is not expected to pick up noticeably this year; this is due to true of business construction.
- Unemployment has - on an annual average - risen from 6½ per cent in the late 1980s to more than ten per cent. The difficult situation in the labour market is a factor the Bundesbank must take into account in conducting its monetary policy.

The message is clear. Although yields have dropped to their lowest level since 1986/87 and the average bond yield has plumbed a historical low at less than five per cent, it would be wrong to conclude that interest rates in 1997 will replicate their upward movement after the end of the 1986/87 easy money period, when the average bond yield jumped to 9.2 per cent. It would seem more realistic to expect that interest rates will remain at a low level.

**Bayerische Landesbank**, Department of Economic Research
Brienner Str. 18, D-80333 München, Fax (089) 2171-1329

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Bayerische Landesbank

## Anglo American Industrial Corporation Limited

Incorporated in the Republic of South Africa Registration No. 63/05862/06

# AMIC

**Abridged statement by the Chairman Mr Leslie Boyd, audited results and notice of capitalisation share award and right of election to receive instead a final ordinary dividend for the year ended 31 December 1996**

- **Turnover up 16% to R23.7 billion**
- **Total net earnings down 3% to R1 029 million**
- **Total net earnings per share down 7% to 1 492 cents**
- **Headline earnings down 2 per cent to R1 018 million**
- **Dividend maintained at 545 cents per share**
- **Operating cash flow up 49% to R2 106 million**
- **Net debt equity ratio reduced to 11%**

**"More than ever before Amic needs to focus its attention on ensuring that each of its businesses is globally competitive."** – *Leslie Boyd, Chairman.*

In spite of difficult trading conditions, particularly in the first quarter, Amic's total net earnings for the twelve months to 31 December 1996 declined by only 3 per cent to R1 029 million from R1 062 million in the previous year. Headline earnings declined by 2 per cent to R1 018 million from R1 039 million. Tha poor start to the year was in direct contrast to a very successful final quarter which produced record earnings.

Total net eernings per share, based on the weighted average number of shares in issue during the year, were 7 per cent lower at 1 492 cents and headline earnings per share were 6 per cent lower at 1 476 cents. This reflects the increased number of shares in issue following the eward of capitalisation shares, and the successful R1 200 million rights issue which took place in November 1996. Having declared an interim dividend of 160 cents per share in cash, the board has again decided to award capitalisation shares in respect of the final results. Members mey, however, decline the award and elect to receive a final dividend of 385 cents per share. Our major shareholders have indicated their intention to accept the capitalisation shares. The total dividend has therefore been maintained at 545 cents per share, with cover declining marginally from 2.9 times to 2.7 times. On behalf of the board, I wish to thank everyone whose efforts, often under adverse market conditions, contributed to this performance.

Amic's strong balance sheet was strengthened even further during the yeer, assisted by e 49 per cent increase in opereting cash flow to a record R2 106 million. This increased cash flow, together with the proceeds from the rights issua, enebled the group both to fund cepital expenditure of R2 047 million and to reduce total net borrowings by R1 156 million to R1 371 million. This reduction, together with the impact of the additional shares issued during the year, resulted in Amic's net debt to equity ratio of 11.4 per cent at 31 December 1996 being the lowest since 1977.

**The Future**

While I am confident that 1997 will prove to be a year in which the foundations for higher medium term economic growth are firmly established, the immediate consequence of higher interest rates will unfortunately be negative. Nonetheless, improving export volumes and another good, but lower, agricultural harvest should ensure that economic growth is meaningfully above 2 per cent. This will represent a disappointing return to a level of growth that is below the rate of population increase. The indications are however that commodity prices will be higher this year and, taken together with an expected improvement in export proceeds from a weaker rand, Amic has budgeted for e real increase in earnings for 1997.

Continued global economic expansion, somewhat lower domestic interest rates during the course of the year, continued fixed investment and export growth, and the improved perception amongst foreign investors of this country that will flow from growing evidence that the GEAR strategy is being implemented, should result in higher economic growth in South Africa in 1998. The cleerer the evidence of our willingness to teckle the problems with which this country is faced, the more rapid this growth will be.

Of great significance to the future of South Africa has been the acquisition by black investors of controlling interests in some of South Africa's foremost industrial and mining companies. The process of black economic empowerment is vital to redress the historical racial imbalance that exists in the mainstream economy, an unfortunata legacy of epartheid. Privatisation represents e further opportunity for bleck economic empowerment, quite possibly in partnership with foreign investors capable of providing state-of-the-art technology.

South Africe is e democracy of strong and plentiful non-government institutions, a characteristic which differentiates the country from the rest of sub-Saharan Africa, and indeed from many East European nations. The country has an industrialised economy, sound physical infrastructure, good communications, an independent judiciary, an independent and free press, a strong constitution, and strong churches. These factors, along with a dynamic and involved business sector, played a major role in ensuring that the political transition in South Africa was peaceful. They also give the confidence to be positive about the future of this country. An essential elament of this is responsible behaviour by the trade unions and a continued reduction in strikes, whether they be legal or illegal. Business, labour and government have a joint responsibility to lift South Africa onto a higher growth path where the benefits of growth are shared, and together address the unemployment challenge that this country faces.

## RESULTS

**Income Statement**

| | 1996 R million | 1995 R million |
|---|---|---|
| **Turnover** | 23 717 | 20 522 |
| Earnings from operations | 1 995 | 1 991 |
| Associates..............................(see note) | 568 | 576 |
| Dividends | 121 | 94 |
| Share of associates earnings | 447 | 482 |
| Income from investments and other income | 172 | 184 |
| Interest paid | (558) | (397) |
| **Earnings before taxation** | 2 177 | 2 354 |
| Taxation | 609 | 647 |
| – Current | 274 | 256 |
| – Deferred | 169 | 191 |
| – STC | 17 | 18 |
| – Share of associates taxation | 149 | 182 |
| **Earnings after taxation** | 1 568 | 1 707 |
| Earnings attributable to outside shareholders | 539 | 645 |
| **Total net earnings** | 1 029 | 1 062 |

| | 1996 | 1995 |
|---|---|---|
| Determination of headline earnings | | |
| Total net earnings | 1 029 | 1 062 |
| Goodwill amortised | 15 | 11 |
| Surplus on sale of investments and fixed assets | (14) | (37) |
| Sale of non-trading items of associates | (21) | (4) |
| Other items | 9 | 7 |
| **Headline earnings** | 1 018 | 1 039 |

**Cash Flow Statement**

| | 1996 | 1995 |
|---|---|---|
| **Operating activities** | | |
| Cash generated by operations | 3 155 | 3 076 |
| Changes in working capital | (27) | (1 095) |
| | 3 128 | 1 981 |
| Interest paid | (662) | (456) |
| Taxation paid | (360) | (110) |
| **Cash available from operations** | 2 106 | 1 415 |
| **Investing activities** | | |
| Net investments | (66) | (216) |
| Net investments in subsidiaries and joint ventures | (22) | (10) |
| Investment income | 230 | 227 |
| Net fixed assets | (1 848) | (1 721) |
| | (1 706) | (1 720) |
| **Financing activities** | | |
| Shares issued and premium received | 1 816 | 14 |
| Redeemable preference shares redeemed | (34) | (83) |
| Net loans (repaid) raised | (471) | 364 |
| | 681 | 295 |
| Net cash generated (utilised) | 1 081 | (10) |
| Dividends paid | (202) | (263) |
| Net cash from subsidiaries acquired | 19 | – |
| Cash resources at the beginning of the year | 978 | 1 251 |
| **Net cash at the end of the year** | 1 876 | 978 |

**Balance Sheet**

| | 1996 R million | 1995 R million |
|---|---|---|
| **Capital employed** | | |
| Shareholders' equity | 8 713 | 6 757 |
| Redeemable preference shares | – | 34 |
| Outside shareholders interests in subsidiaries | 4 375 | 3 370 |
| Total shareholders' interests | 13 088 | 10 161 |
| Deferred taxation | 715 | 610 |
| Outside borrowings – long-term | 2 068 | 1 963 |
| – short-term | 1 432 | 1 702 |
| | 17 303 | 14 436 |
| **Represented by:** | | |
| Fixed assets | 11 221 | 9 224 |
| Investments and loans | 2 654 | 2 477 |
| Inventories and accounts receivable | 7 627 | 6 863 |
| Deposits and cash | 2 129 | 1 172 |
| Other liabilities | (6 328) | (5 300) |
| | 17 303 | 14 436 |

*NOTE: Following the practice adopted by Anglo American Corporation, AMIC's share of earnings of associates is reflected in the income statement before adjusting for its share of associates' taxation and outside shareholders' interest, which are included in the appropriate line items. Comparative figures are restated accordingly.*

### Capitalisation share award and right of election to receive instead a final dividend

As indicated in the eccompanying stetement by the chairmen, the directors have resolved to ewerd capitalisation shares to ordinary shareholders registered in the books of Amic et the close of business on Fridey, 4 April 1997 ("the record date"). The terms of the capitalisation awerd will be published on Tuesday, 1 April 1997. Insteed of the capitalisation eward shareholders may in respect of all or part of their shareholding elect to receive a final dividend of 385 cents per ordinary share in respect of the year ended 31 December 1996 ("the election"). The new ordinary shares to be issued pursuant to the capitalisation award will be issued es fully paid by way of capitalisation of part of Amic's distributable reserves.

Documentation dealing with the capitalisation award and the election will be posted to shareholders on Thursday, 10 April 1997. In order to be valid, completed election forms will need to be received by the company's transfer secretaries by no later than 12h00 on Friday, 2 May 1997.

Forms of election postmarked by not later than 2 May 1997 will be accepted up to 12h00 on Thursday, 8 May 1997. Should such election forms not be received by that date Amic will automatically issue capitalisation shares to all relevant shareholders concerned. Applications will be made to The Johannesburg Stock Exchange and the London Stock Exchange for the capitalisation shares to be listed with effect from the commencement of business on Monday, 12 May 1997.

Shareholders are advised that the share registers will be closed from Saturday, 5 April 1997 to Saturday, 12 April 1997, both days inclusive.

The right to elect to receive a dividend is not available to shareholders in any jurisdiction in which it is illegal to grant the same.

By order of the board
**Anglo American Corporation of South Africa Limited**
*Secretaries*
per: C L Farrel
*Divisional Secretary*

17 March 1997

**Registered Office**
44 Main Street
Johannesburg
South Africa

**London Office**
19 Charterhouse Street
London EC1N 6QP

**Transfer Secretaries**
Consolidated Share Registrars Limited
1st Floor – Edura
40 Commissioner Street
Johannesburg 2001 South Africa

The Royal Bank of Scotland Plc
First Floor
5-10 Gt. Tower Street
London EC3R 5ER

## COMPANIES AND FINANCE: THE AMERICAS

# EU warns on Boeing deal

By Emma Tucker in Brussels

Controversy surrounding Boeing's plan to take over rival US aircraft maker McDonnell Douglas intensified yesterday when Mr Karel Van Miert, the European Union competition commissioner, suggested that the regulatory hurdles could be higher than expected.

Speaking just days before he is due to announce an in-depth investigation into the merger's impact on competition, Mr Van Miert said he had "underrated" the problems associated with the deal, which will create the world's biggest aerospace group.

The takeover has heen submitted to regulators in the US and the EU. Brussels will have until mid-July to complete its investigation under EU competition rules which outlaw the creation or strengthening of a dominant position in the 15-country single market.

Mr Van Miert has not yet specified the nature of his concerns over the merger. He is expected to give some details tomorrow when he annnunces that a month-long inquiry already conducted will be extended for a further four months.

The case is a particularly sensitive one for Mr Van Miert, not least because he will have to co-ordinate closely with his regulatory counterparts on the other side of the Atlantic. Both sides have worked closely on cases with international ramifications before, and althougb they have not always reached identical decisions, they have avoided serious conflict.

But the Boeing-McDonnell merger is different from other global cases in that almost all of the two companies' manufacturing is in the US and they have few assets in Europe.

That means Brussels would be powerless to require the companies to shed businesses or modify operations in the EU.

Mr Van Miert said yesterday he was aware of the problems with the US that a tough stance on the deal could cause, but this was not a reason for the Commission to fail in its duties.

# Valero buys Salomon oil unit

By Tracy Corrigan in New York

Salomon Inc, the parent of Salomon Brothers, has agreed to sell Basis Petroleum, its oil refining business, to Valero Energy Corporation for \$485m in stock and cash.

The sale will result in an after-tax loss for Salomon of \$290m.

The \$485m price is made np of \$365m in cash and \$120m in Valero stock. Salomon will also receive participation payments of np to \$200m during a 10-year term following the expected May completion of the deal, if a target refining margin is exceeded.

"This sale provides Salomon with a good way to exit a non-core business and it places Basis in the hands of a company committed to refining," said Mr Robert Denham, Salomon chairman and chief executive.

Tha sale will bave no impact on the operations of Phibro, Salomon's commodities trading arm. Basis and Phibro have been run separately since 1992.

Basis's business consists of three US refineries, in Texas and Louisiana, with total distillation capacity of 310,000 barrels a day. The oil refining and marketing business recorded a pre-tax loss of \$123m for the year, as Salomon invested heavily in converting refineries to take heavier oil.

Salomon has retained its 18 per cent stake in Genesis Energy, an oil transportation business, which was previously held through Basis. Salomon will continue to provide credit support to Genesis under existing agreements, and some administrative services will be provided for a limited period.

As a result of the deal, Salomon has restated its 1996 figures with net income for the year totalling \$617m, instead of the record \$907m originally reported. Income from continuing operations in 1996 was \$982m.

# Low-tech but riding high

## Average annual returns to shareholders of more than 20 per cent have won Tyco a considerable stock market following

To the popular imagination, the success of the US corporate sector in the 1990s is founded on world leadership in a narrow group of industries. High-tech companies like Microsoft, or consumer products gronps with global brands like Coca-Cola and Procter & Gamble, have become the tonchstones for the current bull market.

That, though, tells only part of the story. Tyco International, New Hampshire's only pretender to the ranks of America's corporate elite, has set ont to prove that there are other places to make money – in the low-tech, low-visibility world of valves, fire sprinkler systems and disposable medical products.

With its agreed \$4bn bid yesterday for ADT, the leading home security company in the US, Tyco says it is ready to step on to the world stage.

The stock market's immediate reaction was a cautious one. Tyco's shares slipped nearly 6 per cent in reaction to what looked like a hefty price. Even after the decline, the all-stock offer valned ADT at \$27.37 a share, considerably more than the \$22.50 a share value of a rival hostile cash-and-stock offer made by Western Resources.

From a longer-term perspective, however, Tyco is still riding high. A period of acquisition-driven growth – and average annual returns to shareholders of more than 20 per cent in the past decade – have won it a considerable stock market following. At \$56⅞ yesterday lunchtime in New York, its shares were still worth more than twice their level of two years ago.

Mr Dennis Kozlowski, chairman and chief executive, says he now wants to build a bigger international following for the company. It already generates about 40 per cent of its revenues overseas, a proportion that will not change materially with the acquisition of ADT.

However, the purchase will give Tyco more than \$1bn of revenues annually in the UK, Mr Kozlowski said, making it time to obtain a presence on the London Stock Exchange as well.

Michael Ashcroft, ADT chairman: declared himself ready to bow out on a high note yesterday

Until now, Tyco has been built largely through a humdrum series of low-value acquisitions. Typical of these have been this year's purchases of Sempell Valve, a German valve-maker with revenues of \$130m, and American Tube & Pipe, a maker of steel tubes and pipes with \$120m of revenues.

There have been signs, though, that tbe company has been itching to join the big league. In January came news that it had offered \$4bn for American Standard, a group whose claims to fame include its big market position in lavatories and other plumbing equipment.

That offer was spurned: Mr Kozlowski says now that he has no appetite for hostile acquisitions, and has not pursued the initial overture.

Also under consideration is a plan to buy the undersea cable business from AT&T, an operation with annual revenues of nearly \$1bn. The US telecommunications company said last year it was planning to sell the unit, which designs, lays and services undersea telephone cables. Those discussions are still continuing, Mr Kozlowski said yesterday.

The potential AT&T deal highlights anotber change under way at Tyco. From being a manufacturer and distributor of a range of products, most of them for industrial companies, the group is now bent on building a strong presence in servicing businesses.

In that, its ambitions echo those of other US manufacturing groups such as General Electric, which have pinned their future increasingly on the higher-margin, faster-growing business of servicing and maintaining the equipment they mannfacture. "We want to service everything we sell in the after market," Mr Kozlowski said.

The security monitoring and fire control businesses are set to be the biggest part of the enlarged Tyco. Together, they will account for around \$4bn of the company's \$9.5bn of revenues next year, Tyco said – equivalent to about 15 per cent of a fragmented market which is in the early stages of full consolidation.

The company's main task now will be to convince the stock market that it has the management skills and the tenacity to squeeze the sort of valua out of its ADT acquisition that it has promised. That will include \$50m of cost-savings in the first year, rising to \$100m in savings three years after the deal is completed.

Those savings will be won by combining purchasing and general corporate operations, and by handing the monitoring of Tyco's existing security and fire control businesses to ADT's cantral monitoring desk. Tyco's shareholders will see better earnings per share immediately as a result of tha deal, Mr Kozlowski promised yesterday.

ADT shareholders, on the other hand, will not have to wait on a promise. The offer valued the company's shares at about twice their level of a year ago. After a period that has seen one failed merger (with Republic Industries) and one hostile bid (from Western Resources), it is little wonder that Mr Michael Ashcroft, ADT chairman, yesterday declared himself ready to bow out on a high note.

**Richard Waters**

AMERICAS NEWS DIGEST

# News Corp in $754m US buy

News Corp is to take over Heritage Media, a US broadcasting and marketing services group, and assume debt of about $600m in an all-share deal valued at $754m. Heritage's marketing assets, Actmedia, which provides in-store promotions material to retailers in 28 countries, and Dimac, a direct marketing concern, are the main target of the acquisition. The group's six television stations and 24 radio stations will be sold, News Corp said yesterday.

Although tha timing of the broadcasting assets sales was fixed, News Corp, which is throwing most of its weight behind an ambitious venture with EchoStar in US satellite television, may expect strong prices. The US radio industry is currently in the throes of a rapid consolidation, and prices have increased sharply over the past few years. Television stations are also keenly sought, although limits on ownership to prevent dominance in regional markets have tended to slow the rate of restructuring.

The two Heritage marketing divisions will complement and add an international dimension to the operations of News America FSI, a leading supplier of promotional inserts. Its main business at present involves the production of 60m so-called free-standing inserts a week which are distributed in more than 600 Sunday newspapers.

Actmedia is the leading supplier of in-store promotions material, with access to more than 40,000 supermarkets, drug stores and mass-market retailers.

*Christopher Parkes, Los Angeles*

## Advent beats fund-raising target

Advent International, the Boston-based private equity investor, has raised an initial $625m towards its next global fund, principally from existing clients. Following this first closing, it expects to draw in another $300m or so from wider sources – taking it well above its initial target of $600m. "There is a lot of money available for private equity managers," said Mr John Walker, chief executive of Advent International's European operations. "But investors are much more careful, sophisticated and clear-thinking than when we raised our last fund [in 1994]."

About three quarters of the cash comes from the US, including from the IBM Retirement Fund and GE Capital Services. Large continental European participants include PGGM, the Dutch pension fund.

Mr Walker says the fund will concentrate on investing in "later stage businesses", searching both for growth opportunities in specific sectors such as media, telecoms and healthcare as well as for buy-out or buy-in situations. It will make investments of between $10m-50m, rather larger than before. Up to half the portfolio is likely to be channelled into western Europe, with 30-35 per cent going to North America and the balance to Asia.

*Katharine Campbell, Growing Business Correspondent*

## Banco de Venezuela at Bs23.9m

Banco de Venezuela, acquired last December by Spain's Banco Santander, announced a net profit of Bs23.9bn ($50m) for the second half of 1996, representing a return on assets of 8.4 per cent. No comparative figure was given. Net profit in the first half 1996 was Bs26bn.

In a meeting last week, shareholders ratified the board of directors and its chairman, Mr Ignacio Rasero, who is also general director of Banco Santander. Two executive presidents were appointed to head the commercial and investment divisions, respectively. Banco de Venezuela has some Bs486bn in deposits, or 10 per cent of the country's total deposits. *Raymond Colitt, Caracas*

## Pay-TV venture to be dissolved

The European Union competition authorities have ordered the dissolution of a pay-television joint venture known as UIP Pay-TV, involving the three big studios, Universal, Paramount, and MGM. The request was made to preserve competition in the European Union's market for the supply of programmes for pay-TV transmission. The partners agreed to break up the venture which distributes films prodnced by the three companies to broadcasters. In future the studios will have to license their pay television rights without using the facilities of United International Pictures. UIP's remaining pay-TV operations will be brought to an end within 18 months.

The company said the agreement was related only to pay-TV operations and was entirely separate from an on-going evaluation by the European Commission of UIP's film distribution network. *Emma Tucker, Brussels*

# Great Western suitor lifts bid

By Reuter in California

The battle for Great Western Financial intensified yesterday wben H.F. Ahmanson, a rival California thrift, enhanced its $6bn hostile offer. Washington Mutual made a $6.6bn white knight bid earlier this month.

Ahmanson had heen expected to make another bid, given overwhelming speculation that it will itself become an acquisition target if its hid for Great Western is unsuccessful.

The takeover battle is widely regarded as critical to the future of the ailing thrift industry and has already seen much acrimony over projected job losses.

The market in early trading yesterday appeared to be betting on an eventual victory for Washington Mutual. By midday Ahmanson's shares were down $1 at $39¼, while Washington Mntual suffered a much smaller fall, down only 25 cents at $50⅛.

The latest offer establishes a floating exchange ratio for Great Western common shares linked to the market price for Ahmanson common shares.

Ahmanson said Great Western stockholders would receive between 1.10 and 1.20 common shares of Ahmanson for each common share of Great Western. Its previous offer provided an exchange ratio of 1.05. On the basis of the closing price of Ahmanson stock on Marcb 14, its latest exchange ratio would have been 1.20 and would have produced a value of $48.30 for each Great Western common share.

Mr Charles Rinehart, chairman and chief executive of Ahmanson, said the company was confident it could "responsibly assume an additional $100m in merger benefits through our combination with Great Western".

A combination of Great Western with either bidder would create the third-largest financial institution in California and the largest US thrift – broadly similar to a UK building society, concentrating on mortgage lending and deposit-based savings.

It is protected against a failure in its bid by the promise of snhstantial break-up fees from Great Western, wbich will pay Washington Mntual $75m plus expenses of up to $20m if the merger agreement is terminated.

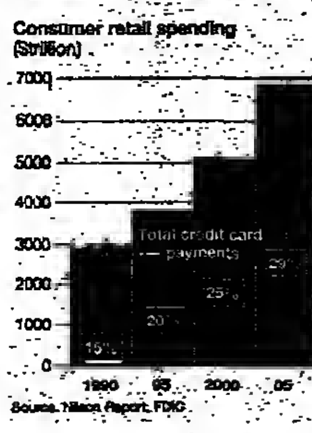
Great Western will also pay an additional $100m if it is acquired by another bidder within 18 months.

# Change on the cards at Advanta

## Credit-card issuer may abandon its low-price strategy, reports **John Authers**

### Growth of the specialist card issuer

Consumer retail spending ($trillion)

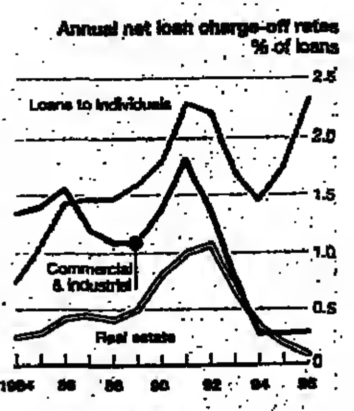



Source: Nilson Report, FDIC

Top 10 card issuers by receivables ($bn)

| | 31 Dec 1986 | | 30 Sep 1996 |
|---|---|---|---|
| Citibank | 15.3 | Citibank (US) | 44.0 |
| BankAmerica | 6.1 | MBNA | 34.7 |
| Chase Manhattan | 5.4 | Pro Forma Banc One/First USA | 32.6 |
| First Chicago | 3.5 | Discover | 30.2 |
| Wells Fargo | 2.8 | Chase Manhattan | 23.9 |
| First Interstate | 2.4 | First Chicago | 17.9 |
| Manufacturers Hanover | 2.0 | Household Bank | 16.9 |
| MNC Financial | 1.7 | AT&T Universal | 13.0 |
| Marine Midland | 1.4 | Advanta | 12.7 |
| Security Pacific | 1.4 | Capital One | 12.1 |
| TOTAL | 42.0 | TOTAL | 238.0 |

Annual net loan charge-off rates % of loans




Yesterday's profits warning from Advanta, one of the most successful specialist credit card issuers in the US, called into question the strategy that has transformed the credit card industry in the 1990s.

It also provided the most dramatic example yet of the impact of rising had debts and personal bankruptcies on the consumer credit industry.

Advanta is one of five specialist "monoline" credit card banks which are now among the top ten US card issuers.

While Citibank retains its top slot, seven others have entered the top ten in the last ten years, displacing such powerful commercial banks as BankAmerica and Wells Fargo. Of the newcomers, MBNA is the largest, with $34.7bn in loan receivables at the end of the third quarter of 1998, compared with Citibank's $44bn.

First USA will hecome the third-largest issuer when its January acquisition by BancOne, the Ohio-hased commercial bank, is completed by the end of the second quarter of 1997.

BancOne paid $7.3bn for First USA in a move which created speculation that other monoline issuers would also he acquisition targets.

Advanta was the fastest-growing monoline issuer in 1994 and 1995, when it recorded receivables growth of more than 100 per cent annually, according to Standard & Poor's, the rating agency. Their average receivables growth rate over the last five years was 45 per cent annually.

Like other monolines, they relied on cheap financing through the asset-backed securities market, which allows issuers to repackage receivahles in the form of honds. They also used aggressive marketing tactics involving "mining" databases for aggressive direct marketing campaigns. Most offered cards in conjunction with other companies such as airlines and retailers.

Advanta's announcement yesterday suggests it is ahandoning the key elements of its strategy.

Saying that the credit card industry was "undergoing structural change", the company said it was considering charging higher interest rates for certain parts of its credit card portfolio more aggressively "to match better the risk profiles of particular customer segments".

This supports the fears of some analysts who had warned that the credit quality of its loan portfolio was weaker than others in the sector, as a result of its willingness to compete on price and accept customers with a poor credit history.

> 'Advanta's problems are probably worse than those of the industry as a whole, but all card issuers have experienced rising levels of bad debt in the past year'

Advanta added that it was considering raising fees, some of which are below the industry everage, tightening underwriting standards, intervening more quickly with troubled accounts, and developing additional products that "offer customers added value rather than relying solely on a low price".

Analysts said Advanta's prohlems were probably worse than tbose of the industry as a whole, hut all issuers have experienced rising levels of bad deht in the last yeer, despite the strength of the US economy.

Last week, the Federal Deposit Insurance Corporation warned of "worrisome" levels of "charge-offs" of credit card deht – which occur when banks decide that credit card debt will not be retrieved.

Ms Ricki Helfer, who chairs the FDIC, said: "Credit card charge-offs reeched $9.5bn last year, accounting for 61.1 per cent of all loan charge-offs. This was an increase of almost 40 per cent from 1995."

Meanwhile, total credit card loans reached $1,570bn at the end of 1996, more than doubling in four years.

Pointing out that charge-off rates were "approaching the levels reached in the last recession" and that personal bankruptcies were increasing, Ms Helfer said: "Large as these numbers are, we believe they understate the exposure of banks to risk in credit card lending. They do not fully account for potential claims that could arise from continuing liabilities relating to credit card loans that have been securitised."

# Ex-Jardine chief to join CSFB

By Louise Lucas in Hong Kong

Mr Alan Smith, who last year stepped down as chairman of Jardine Fleming, the Hong Kong investment bank, is to take up the number two position in investment banking for Credit Suisse First Boston, the Swiss-American bank, in the Asia region.

Mr Smith quit Jardine Fleming over reforms imposed after a trading scandal last August.

Jardine Fleming, which is jointly owned by Robert Fleming of the UK and Jardine Matheson, the Hong Kong conglomerate, agreed a six-month purdah with Mr Smith, during which he was barred from competing with his former employer. The ban included poaching clients and staff. However, that period ends later this month.

His appointment at CSFB in Hong Kong suggests the investment bank is taking a more aggressive approach to Asia.

Mr Smith brings both contacts and a flair for making deals. He can be expected to help the bank build its presence at a time when merger and acquisition activity in the region appears to be on the increase, particularly in Hong Kong.

In the meantime, Jardine Fleming is itself understood to be looking for a senior figure on its fund management side.

It is believed to have approached Mr Paul Chow, the former chief executive of the Hong Kong Stock Exchange, who is to join HSBC Asset Management, the fund management arm of HSBC Holdings, the global banking group.

According to one industry chief, the search is being hampered by the events of last August. Jardine Fleming was fined £700,000 (US$1.1m) and made compensation payments to investors of US$19.3m, after Mr Colin Armstrong, a senior fund manager, was found to have diverted profitable client trades to his own account.

While the scandal did not cost the group any of its 42 fund managers, whose annual bonuses are due shortly, several fund accounts have since moved – though this is not wholly connected to regulatory issues.

Funds under management fell 10 per cent in the six months after the trading scandal, said Jardine Fleming Investment Management, the fund management arm. Among the biggest accounts lost were the UK's Post Office Superannuation Scheme and Avon County Council.

In Hong Kong, the main blow was dealt by the Hong Kong Jockey Club, which withdrew an account worth an estimated HK$800m (US$103.3m).

# Mammon comes to Shanghai

The congregation at the former Russian Orthodox mission church in Shanghai is noisy these days. On the low benches that were once pews, the locals do not sit calmly at prayer, but are volubly taking a punt.

Overhead, a large trading screen flashes stock prices where once there was an altar gilded in Cyrillic script. To the left and right, the ornately decorated porticos have been replaced with cashiers' booths.

China Construction Bank has converted the church into a retail brokerage house – one of hundreds in Shanghai where zealous converts to the market economy speculate on China's domestic stock market.

For the time being, foreign investors can only eye these bustling stockbroking parlours with envy. The domestic market – the A share market – is large and liquid, but off-limits to foreigners. International investors are restricted to the tiny, illiquid B share markets.

Converted: the former Russian Orthodox mission church in Shanghai is now a share shop

While the A share markets include more than 500 companies with a market capitalisation of approximately $50bn, the B share markets have only 86 listed companies and a market capitalisation of a little over $3bn – about the size of the Sri Lanka stock exchange.

B shares are denominated in US dollars in Shanghai and Hong Kong dollars in Shenzhen and, in theory, can only be owned by foreign investors.

A shares, also traded in Shanghai and Shenzhen, are denominated in Chinese yuan and restricted to mainland Chinese buyers.

However, the segregation of local and foreign investors is already breaking down and bullish analysts in Shanghai say a formal merger of the A and B markets is possible in as little as two years.

Mr John Crossman, general manager of Jardine Fleming Securities, says China could end the distinction between A and B shares "as soon as they have consolidated the takeover of Hong Kong. So we could be talking as early as 1998."

However, China's official line is that capital account convertibility – the prerequisite for unifying China's stock markets – will take "a considerable amount of time".

When China announced convertibility of the yuan on the current account last year, officials at the State Administration of Foreign Exchange said: "As for when we can make the yuan convertible under the capital account or even freely convertible, we have not worked out a specific timetable."

Officials from the People's Bank of China, the central bank, have since suggested in private that convertibility on the capital account is not likely until after 2000.

But Shanghai's stock market officials believe the merger of the markets may come sooner. "Beijing officials say it could happen at the end of the century, but people in Shanghai believe that things have progressed faster than officials predicted," one Shanghai Stock Exchange official says.

Mr Bruce Richardson, head of HG Asia, the stock broker, in Shanghai, says foreigners could be admitted to the local market within two years. "Officials had long ago forecast convertibility on the current account by 2000, then achieved it in 1996 and everybody yawned, because it had arrived in practice in 1994. The lesson is that events are moving faster than the regulators," he says.

Whatever the official timetable, the distinction between local and foreign markets is already eroding. Although local investors are legally prohibited from buying B shares, the reality is that they have been the engines of the foreign investor market, accounting for as much as 50 per cent of trade.

One foreign analyst says: "You often tip stocks as 'trading buys' on the basis of local market sentiment, regardless of the company's fundamentals."

One Shanghai analyst calculates that on average, A shares are trading at a 70-80 per cent premium to their B share equivalents. Over the next few years, traders believe B shares are likely to close the gap.

"We are changing all of our recommendations from 'sells' and 'holds' to 'buys', because if you can wait three years, or even less than that, you are almost guaranteed to double your money," one foreign analyst says.

Chinese companies are also set to gain from a united market, as until now those enterprises directed to raise money on the B share market have been selling equity at a discount to the price they might have raised on the A share market.

However, the benefits of merging may not be enough to quell the central bank's fears of capital flight if the yuan is made fully convertible prematurely.

One China economist in Hong Kong says: "Convertibility on the capital account is a 10-year goal. The Chinese will not make the yuan convertible until they are prepared to loosen control of interest rate policy and expose their decrepit domestic banking sector to foreign pressure."

The early introduction of a single market may be wishful thinking by foreign analysts and investors. Nevertheless, anticipation of its arrival is already shaping the judgments of international investors in Shanghai.

**James Harding**

# Heavy HK demand for Beijing Datang offering

By Louise Lucas

The Hong Kong tranche of the share offering by Beijing Datang Power is understood to be more than 80 times subscribed, bankers said last night.

Beijing Datang, which will be the first Chinese state-owned enterprise to secure a listing on the London Stock Exchange, is seeking to raise up to HK$3.13bn (US$404m) in an international equity offering.

The Hong Kong initial public offering comprised 124.4m shares priced at a maximum HK$2.52 each.

Trading in Beijing Datang, which is seeking a secondary listing on the London Stock Exchange and primary listing in Hong Kong, is due to start on Friday.

Two previous power issues from China have fared unimpressively in the after-market – a fact attributed largely to their listing in New York, where Chinese companies are less comprehensively followed and understood than in Hong Kong.

However, Beijing Datang's attraction was supported by perceived strong fundamentals and early support from a Hong Kong-listed infrastructure company.

New World Infrastructure, part of New World Development, one of Hong Kong's big property developers, has taken a 10 per cent stake in the company.

The pricing puts the stock on a fully-diluted price/earnings multiple of 12 times.

According to the prospectus released yesterday, Beijing Datang is forecasting net profits this year of HK$1.02bn, against an estimated HK$858m last year and an actual HK$773.9m in 1995.

# Toyota lifts Hino stake

By Michiyo Nakamoto in Tokyo

Toyota, Japan's largest vehicle manufacturer, is raising its stake in Hino, Japan's leading truck maker, from 11.1 per cent to 16.4 per cent in order to strengthen the two companies' alliance in the small-truck sector, the company said.

Hino, which has been affiliated to Toyota since 1966, will be given responsibility for the development of 2-tonne trucks.

Currently, Toyota develops and manufactures small trucks in this category and supplies them to Hino on an original equipment manufacturer basis. Hino manufactures trucks for Toyota based on the latter's specifications

The decision by Toyota to shift 2-tonne truck development and manufacturing to Hino reflects growing pressures in a market where Japan's largest carmaker has fallen behind rivals such as Mitsubishi and Isuzu.

In the 2-tonne sector, Mitsubishi and Isuzu jointly have about 30 per cent of the market. "Isuzu is very strong in this market, so that for Toyota and Hino to face up to the competition they need to combine their efforts," said Mr Takaki Nakanishi, industry analyst at Merrill Lynch in Tokyo.

# Indofood up despite growing competition

By Manuela Saragosa in Jakarta

Indonesia's largest noodle manufacturer, Indofood Sukses Makmur, said net income rose 13 per cent in 1996, but that the increase was helped by non-operating income rather than growth in the company's core noodle business, where competition is intensifying.

Net income in 1996 increased from Rp305.4bn the year before to Rp351.3bn ($146.2m) on sales totalling Rp2,826bn compared with Rp2,091bn.

Noodle sales grew only 9.7 per cent last year after increasing by over 15 per cent the year before, analysts said.

Indofood shares closed unchanged at Rp5,600.

## INTERNATIONAL CAPITAL MARKETS

# Europe down sharply on Emu fears

GOVERNMENT BONDS

By Richard Adams and Samer Iskandar in London and Richard Tomkins in New York

European government bonds fell sharply yesterday, driven lower by a combination of fears of a delay to European economic and monetary union and expectations of an interest rate rise by the US Federal Reserve.

Despite falling by more than a full point, German bunds outperformed most other European markets apart from the UK.

Traders said German bunds fell through important technical levels during the day, as the London-listed June futures contract sank 1.02 to 100.41. The yield on 10-year bunds rose 15 basis points to 5.87 per cent.

Mr Graham McDevitt, bond strategist at Paribas in London, said the fall marked a break in a long-term trend line since July 1996. "On this movement, wherever the trendline is, we've broken it," he said.

Falling prices triggered so-called stop loss orders – computer-generated orders to sell bonds automatically when the price falls below a pre-determined threshold – which in turn accelerated the fall.

"There has been a dent in confidence that Emu will start on time," said Mr David Brickman, European economist at Yamaichi International. "And the extent of the losses was exacerbated by the technical picture."

Mr Brickman said market participants reacted negatively to comments by Mr Theo Waigel, the German finance minister, who insisted that meeting the Maastricht criteria was more important than the timetable of the movs to a single currency.

He also warned that market sentiment would remain edgy, with traders awaiting today's publication of the Bundesbank's monthly report. "A large cash deficit would be very alarming for the bond markets," he said.

Mr McDevitt said there was no panic selling yesterday, but Paribas is forecasting German yields of 6 per cent in the next four weeks.

The sharpest fall was suffered by Italian bonds. The June BTP future lost 1.31 in London to settle at 124.35. In the cash market 10-year yield spreads over German bunds widened 4 basis points to 205 points.

Spanish bonos also underperformed bunds, their 10-year yield spread widening four basis points to 134 points.

UK gilts managed to outperform other European markets. Traders said gilts were unaffected by yesterday's announcement of the date of general election, which had long been priced in. Market participants were more concerned about US rate movemeots. The June long gilt future settled at 110⅝, down $\frac{25}{32}$, while the 10-year benchmark gilt lost $\frac{25}{32}$. The 10-year yield rose 10 basis points to 7.44 per cent, while its spread over bunds narrowed three basis points to 174 points.

Swedish bonds were also hard hit by tha fall-out, with the 10-year benchmark bond falling 1.35 to 105.238.

Mr Ifty Islam, European bond strategist at Merrill Lynch in London, said the market saw the end of an easing cycle in Sweden, but thought that the bonds had been oversold. Sweden's yield spread over bunds widened 8 basis points to 136 points.

The sell-off in European bonds, and growing concerns about the US interest rate outlook, combined to depress US Treasuries yesterday morning. At midday, the benchmark 30-year bond was down $\frac{13}{32}$ at 95$\frac{13}{32}$, yielding 6.972 per cent, and the two-year bond was down $\frac{1}{16}$ at 99$\frac{3}{16}$, yielding 6.183 per cent.

Traders said technical factors were also at work, with the June bond contract in Chicago testing a key support level. The next meeting of the Fed's open market committee will take place on March 25, and the market is concerned that the Fed may decide to push up interest rates if it detects signs of incipient inflation in the US economy.

Some investors think the Fed might take pre-emptive action by lifting rates by 25 or 50 points.

Recent economic data have delivered mixed signals about the outlook for inflation, so the market will be looking for a clearer picture in tomorrow's figures for consumer prices in February. The median forecast is for an increase in the index of 0.2 per cent, and any figure above that could be interpreted as increasing the likelihood of a Fed tightening.

# Record year for emerging market debt

By Samer Iskandar

Trading in local instruments of emerging markets soared to record highs in 1996, signalling that some of these exotic investments are increasingly perceived as a mainstream asset class, according to a report published yesterday by the Emerging Markets Traders Association. The EMTA groups 160 member institutions active in trading emerging market instruments.

For the first time, the volume of trading in local instruments matched the turnover of the most liquid Brady bonds. Bradys – issued in lieu of distressed commercial debt and backed by US Treasury bonds – were until recently the only liquid financial instrument available to foreign investors in most emerging markets.

Turnover in Argentina's local bonds, or Bocones, rose by 361 per cent last year to $263bn, making them the third most commonly traded asset class.

The survey of 113 EMTA members reveale an across-the-board increase in trading of all debt instruments. Turnover in sovereign eurobonds more than tripled, followed by options trading (up 163 per cent) and corporate eurobond trading (128 per cent).

Mr Michael Chamberlin, EMTA executive director, said: "The doubling of turnover in 1996 underscores the growing perception in the marketplace that emerging markets debt instruments have become a legitimate, distinct asset class. The increase in trading volumes suggests a continued increase in investor interest and greater liquidity."

Brady bonds remained the single most traded asset class, with a market share of 50.7 per cent. But this was down from 57.7 per cent in 1995 and a peak of 60.9 per cent in 1994. Eurobonds' market share meanwhile rose from 8.5 per cent to 12.5 per cent.

EMTA also noted the arrival of new markets, such as Slovenia, as well as a significant jump in the trading of several Asian assets. Transactions in Indonesian, Thai and Malaysian debt, for example, totalled roughly $75bn, up from negligible amounts in 1995.

Mr Chamberlin also singled out Russia and South Africa, where trading volumes increased by 162 per cent and 308 per cent respectively to $380bn and $170bn.

"The tremendous growth in Russian and South African debt trading demonstrates the continuing diversification of emerging markets trading and investment," he said. "These trends spotlight the future growth of this industry."

Brazilian assets remained the most commonly traded instruments, accounting for $1,441bn, or 27.2 per cent of reported trading volume. They were followed closely by Argentina assets ($1,292bn) and Mexican instruments ($946bn).

Demand for investments in most emerging markets rose sharply in 1996, as a result of the decline in yields available in better established markets.

*1996 Debt Trading Volume Survey Report, EMTA, $250.*

# Corporate Australia makes $700m debut

INTERNATIONAL BONDS

By Edward Luce

Corporate Australia's debut overseas bond issue grabbed most attention on a day otherwise nvershadowed by continuing worry about tbe prospect nf a rise in US interest rates.

Puma, Australia's largest mortgage company, yesterday issued the first of what markets expect will be a oumber of Australian asset-backed deals in the next 18 months nr so.

Divlded into tbree tranches – a five-year US$560m, an average two-year $105m and a subordinated tranche of $35m at six years – the offering was mostly distributed among continental European investors, said J.P. Morgan, sole lead manager. Priced at 13 basis points and 8 basis points over US three-month Libor respectively, market analysts said the paper was unlikely to be traded beavily.

"The deal was very well-marketed and pre-placed," said one trader. "But the paper will be relatively illiquid." Executives at Puma, whicb accnunts for abnut half of Australia's domestic asset-backed market and acts as the benchmark for other local issuers, said the company planned to return to the euromarkets in the near future.

"We see this as the start of a programme rather than a single issue," said Mr Tony Gill, managing director at Puma. "We will look closely at issuing in other currencies."

Australian companies have hitherto avoided international issuances, owing to a 10 per cent withholding tax on offshore borrowing. The Anstralian government, which negotiated a waiver with Puma for yesterday's issues, is planning to scrap the tax. Other Australian companies thought to be planning overseas offerings include Rams, the mortgage company, and possibly Westpac, the banking group.

Nordhanken, Sweden's fourth largest private bank, continued the flight to shorter-dated floating rate notes yesterday with a two-year DM300m offering.

Underwritten hy ABN Amro and Lehman Brothers, the issue was launched with a yield of 3.5 basis points above Libor on the D-Mark.

Syndicate officials said the bank had chosen the D-Mark becanse of significant demand from investors in German-speaking countries and its convenience as a swap currency with krona. The bond traded inside its fees on the secondary market.

"There is a lot of demand for shorter-dated floating rate debt in the build-up to the Federal Reserve'a decision on interest rates [next week]," said ooe syndicate manager in London. "There is also a strong shift away from fixed income investments, particularly at the sborter end."

Despite this, SudWestLB Capital Markets, the German Lander bank, offered a two-year $250m bond at a coupon of 6.25 per cent – 10 basis points above equivalent Treasuries.

Rated AAA, officials said that the offering was priced tightly but reasonably despite the fact that it has a maturity of nearer three years than two.

They pninted out that Toyota's receot dollar offering was priced at 2 basis points through the yield curve.

The deal, which was co-lead managed by ABN Amro and Bear Stearns, was aimed mostly at retail investors, with Swiss and Middle Eastern investors taking much of yesterday's distribution.

### New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Puma Finance, Cls A1(a1)‡ | 105 | (a2) | 100.00R | Oct 2029 | 0.125R | - | JP Morgan Securities |
| Puma Finance, Cls A2(a3)‡ | 560 | (a4) | 100.00R | Oct 2029 | 0.26R | - | JP Morgan Securities |
| SudwestLB Capital Mkts(a) | 250 | 6.25 | 99.722R | Dec 1999 | 0.15R | +10(5%Feb99) | ABN Amro/Bear Stearns |
| Bank of Nova Scotia | 200 | 6.375 | 99.98R | Apr 1999 | 0.175R | +15(5%Feb99) | Paribas Capital Markets |
| Statexport(b)§ | 50 | (4-5) | 100.00 | Apr 2002 | undisc | - | Robert Fleming & Co |
| **D-MARKS** | | | | | | | |
| Nordbanken‡ | 300 | (c) | 100.01R | Apr 1999 | 0.10R | - | ABN Amro/Lehman Bros |
| **SWISS FRANCS** | | | | | | | |
| Merrill Lynch & Co | 150 | 3.00 | 102.35 | Apr 2002 | 2.00 | - | Merrill Lynch Capl Mkts |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Mar 03 at par. a1) Average life: 2.05 yrs. a2) 3-mth Libor +8bp to Mar 03, then +20bp. a3) Av life: 4.97 yrs. a4) 3-mth Libor +13bp to Mar 03, then +50bp. a5) Class B notes: $35m, av life 6 yrs, 3-mth Libor +27bp to Mar 03, then +75bp. b) Fixing expected 28/3/97. Conversion premium: 15-20%. Premium redemption: 5-yr Treasuries +approx 125-175bp. Callable after 3 yrs, subject to 140% hurdle, at accreted value. c) 3-mth Libor flat. ‡ Long 1st coupon. s) Short 1st coupon.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 8.750 | 11/06 | 92.3346 | +0.380 | 7.89 | 7.81 | 7.26 |
| Austria | | 5.625 | 01/07 | 98.7200 | -1.010 | 5.80 | 5.65 | 5.70 |
| Belgium | | 6.250 | 03/07 | 102.1400 | -0.980 | 5.96 | 5.75 | 5.65 |
| Canada * | | 7.000 | 12/06 | 103.0000 | -0.300 | 6.58 | 6.41 | 6.41 |
| Denmark | | 8.000 | 03/06 | 109.3600 | -1.260 | 6.59 | 6.33 | 6.37 |
| France | BTAN | 5.500 | 10/01 | 100.0467 | -0.670 | 4.76 | 4.55 | 4.48 |
| | OAT | 6.500 | 10/06 | 105.7100 | -1.310 | 5.72 | 5.48 | 5.54 |
| Germany Bund | | 6.000 | 01/07 | 100.9100 | -1.170 | 5.87 | 5.67 | 5.68 |
| Ireland | | 8.000 | 08/06 | 0.0000 | - | 0.00 | 6.60 | 6.56 |
| Italy | | 7.750 | 11/06 | 100.1800 | -0.910 | 7.72† | 7.33 | 7.10 |
| Japan | No 143 | 6.300 | 09/01 | 121.9968 | -0.110 | 1.24 | 1.31 | 1.39 |
| | No 182 | 3.000 | 09/05 | 105.7410 | - | 2.21 | 2.34 | 2.39 |
| Netherlands | | 5.750 | 01/07 | 100.1000 | -0.960 | 5.61 | 5.46 | 5.49 |
| Portugal | | 9.500 | 02/06 | 116.7000 | -0.710 | 6.95 | 6.84 | 6.69 |
| Spain | | 7.350 | 03/07 | 100.9000 | -1.180 | 7.19 | 6.93 | 6.74 |
| Sweden | | 8.000 | 08/07 | 105.2377 | -1.350 | 7.26 | 6.90 | 6.82 |
| UK Gilts | | 8.000 | 12/00 | 103-10 | -10/32 | 6.97 | 6.79 | 6.69 |
| | | 7.500 | 12/06 | 100-12 | -23/32 | 7.44 | 7.25 | 7.28 |
| | | 9.000 | 10/08 | 111-06 | -27/32 | 7.54 | 7.34 | 7.36 |
| US Treasury * | | 6.250 | 02/07 | 96-16 | -9/32 | 6.74 | 6.54 | 6.46 |
| | | 6.625 | 02/27 | 95-16 | -11/32 | 6.98 | 6.81 | 6.73 |
| ECU (French Govt) | | 7.000 | 04/06 | 105.1900 | -1.210 | 6.23 | 5.97 | 5.91 |

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | - | Two year | 6.13 |
| Prime rate | 8¼ | Two month | - | Three year | 6.36 |
| Broker loan rate | 7 | Three month | 5.26 | Five year | 6.54 |
| Fed.funds | 5½ | Six month | 5.44 | 10-year | 6.72 |
| Fed.funds at intervention | - | One year | 5.73 | 30-year | 6.97 |

### BOND FUTURES AND OPTIONS

**France**

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 130.74 | 130.70 | - | 130.84 | 130.68 | 25,853 | 30,179 |
| Jun | 129.34 | 128.32 | -0.98 | 129.44 | 128.30 | 12,410 | 132,160 |
| Sep | 127.68 | 126.72 | -0.86 | 127.82 | 126.84 | 413 | 2,153 |

LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Apr | Calls May | Calls Jun | Puts Apr | Puts May | Puts Jun |
|---|---|---|---|---|---|---|
| 128 | 0.62 | 1.02 | 1.37 | 0.30 | 0.70 | 1.05 |
| 129 | 0.18 | 0.53 | 0.85 | 0.86 | 1.21 | 1.53 |
| 130 | 0.04 | 0.23 | 0.49 | 1.72 | 1.90 | 2.16 |
| 131 | 0.02 | 0.08 | 0.27 | 2.70 | 2.75 | 2.93 |
| 132 | - | 0.02 | 0.13 | 3.68 | 3.69 | 3.79 |

Est. vol. total, Calls 13,924 Puts 34,497. Previous day's open int., Calls 127,726 Puts 134,451.

**Germany**

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 101.51 | 100.41 | -1.02 | 101.61 | 100.15 | 237524 | 233920 |
| Sep | | 99.54 | -1.02 | | | 0 | 706 |

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Apr | Calls May | Calls Jun | Calls Sep | Puts Apr | Puts May | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|---|---|
| 10000 | 0.56 | 1.00 | 1.25 | 1.30 | 0.14 | 0.59 | 0.84 | 1.76 |
| 10050 | 0.24 | 0.71 | 0.97 | 1.07 | 0.33 | 0.80 | 1.06 | 2.03 |
| 10100 | 0.07 | 0.47 | 0.71 | 0.86 | 0.66 | 1.06 | 1.30 | 2.34 |

Est. vol. total, Calls 49180 Puts 39365. Previous day's open int., Calls 199402 Puts 222038

**Italy**

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 125.66 | 124.35 | -1.31 | 125.66 | 124.06 | 70560 | 106483 |
| Sep | 124.70 | 124.40 | -1.33 | 124.70 | 124.30 | 239 | 2425 |

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 12400 | 2.06 | 2.98 | 1.71 | 2.58 |
| 12450 | 1.77 | 2.69 | 1.92 | 2.79 |
| 12500 | 1.51 | 2.43 | 2.18 | 3.03 |

Est. vol. total, Calls 6051 Puts 10531. Previous day's open int., Calls 81086 Puts 84514

**Spain**

NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 112.31 | 111.31 | -0.93 | 112.32 | 111.23 | 78,069 | 28,158 |
| Jun | 112.05 | 110.75 | -1.27 | 112.09 | 110.50 | 66,956 | 46,886 |

**UK**

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 111-26 | 110-28 | -0-26 | 111-27 | 110-24 | 534 | 27435 |
| Jun | 111-06 | 110-12 | -0-25 | 111-11 | 110-04 | 93486 | 174317 |

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Apr | Calls May | Calls Jun | Calls Sep | Puts Apr | Puts May | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|---|---|
| 110 | 0-35 | 1-19 | 1-44 | 2-16 | 0-11 | 0-59 | 1-20 | 2-22 |
| 111 | 0-07 | 0-51 | 1-12 | 1-51 | 0-47 | 1-27 | 1-52 | 2-57 |
| 112 | 0-01 | 0-30 | 0-61 | 1-25 | 1-41 | 2-08 | 2-27 | 3-31 |

Est. vol. total, Calls 3758 Puts 2626. Previous day's open int., Calls 65742 Puts 31784

**Ecu**

ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.38 | 96.26 | -0.12 | 96.38 | 96.16 | 1,022 | 2,362 |
| Jun | 94.78 | 93.76 | -1.02 | 94.78 | 93.72 | 1,936 | 4,068 |

**US**

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 109-11 | 109-01 | -0-10 | 109-16 | 108-28 | 5,060 | 71,311 |
| Jun | 108-27 | 108-17 | -0-10 | 108-31 | 108-11 | 373,814 | 415,929 |
| Sep | 108-16 | 108-03 | -0-10 | 108-16 | 107-28 | 119 | 24,611 |

**Japan**

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 126.60 | | | 126.82 | 126.45 | 989 | 0 |
| Sep | | | | | | 0 | 0 |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

### FT$E Actuaries Govt. Securities — UK Indices

| Price Indices UK Gilts | Mon Mar 17 | Day's change % | Fri Mar 14 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (19) | 120.55 | -0.17 | 121.03 | 2.18 | 2.86 |
| 2 5-15 years (21) | 150.49 | -0.55 | 151.33 | 2.82 | 2.12 |
| 3 Over 15 years (6) | 171.15 | -0.81 | 172.55 | 4.67 | 2.31 |
| 4 Irredeemables (5) | 198.07 | -0.75 | 199.56 | 4.25 | 1.00 |
| 5 All stocks (51) | 144.75 | -0.48 | 145.55 | 2.94 | 2.50 |
| **Index-linked** | | | | | |
| 6 Up to 5 years (2) | 203.37 | -0.10 | 203.58 | 0.60 | 2.16 |
| 7 Over 5 years (10) | 196.17 | -0.37 | 196.89 | 1.22 | 1.81 |
| 8 All stocks (12) | 195.86 | -0.34 | 196.53 | 1.16 | 1.83 |

| | Low coupon yield Mar 17 | Mar 14 | Yr. ago | Medium coupon yield Mar 17 | Mar 14 | Yr. ago | High coupon yield Mar 17 | Mar 14 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 7.10 | 7.00 | 7.52 | 7.15 | 7.06 | 7.57 | 7.20 | 7.10 | 7.66 |
| 15 yrs | 7.60 | 7.52 | 8.29 | 7.60 | 7.50 | 8.30 | 7.44 | 7.40 | 8.41 |
| 20 yrs | 7.67 | 7.59 | 8.37 | 7.64 | 7.55 | 8.37 | 7.45 | 7.41 | 8.46 |
| Irred.† | 7.71 | 7.64 | 8.45 | | | | | | |

| | Inflation 5% Mar 17 | Mar 14 | Yr. ago | Inflation 10% Mar 17 | Mar 14 | Yr. ago |
|---|---|---|---|---|---|---|
| Up to 5 yrs | 3.29 | 3.23 | 3.04 | 2.60 | 2.56 | 1.83 |
| Over 5 yrs | 3.56 | 3.52 | 3.60 | 3.37 | 3.34 | 3.61 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT Fixed Interest Indices

| | Mar 17 | Mar 14 | Mar 13 | Mar 12 | Mar 11 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 94.71 | 95.24 | 95.20 | 95.50 | 95.77 | 92.22 | 96.74 | 91.59 |
| Fixed Interest | 118.69 | 118.61 | 118.35 | 119.43 | 119.72 | 110.88 | 120.18 | 110.74 |

### Gilt Edged Activity Indices

| | Mar 14 | Mar 13 | Mar 12 | Mar 11 | Mar 10 |
|---|---|---|---|---|---|
| Gilt Edged bargains | NA | 82.9 | 83.9 | 83.1 | 81.4 |
| 5-day average | NA | 83.3 | 84.8 | 84.9 | 84.1 |

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

## UK GILTS PRICES

[illegible]

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 17

| | Issued | Bid | Offer | Chg | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 97¾ | 98 | -⅛ | 6.98 |
| ABN Amro Bank 7¼ 05 | 1000 | 100 | 100¼ | -⅛ | 7.38 |
| African Dev Bk 7¾ 23 | 500 | 97⅞ | 97⅞ | -¼ | 7.61 |
| Alberta Province 7⅝ 98 | 1000 | 101⅞ | 102⅛ | | 6.34 |
| Asian Dev Bank 6¼ 00 | 750 | 95¾ | 95⅞ | -⅛ | 7.03 |
| Austria 8½ 00 | 400 | 104¾ | 105 | -⅛ | 6.61 |
| Spain 7¼ 00 | 4000 | 109¾ | 110 | -½ | 5.50 |
| Volkswagen Intl Fin 7 03 | 1000 | 107½ | 107⅞ | -⅛ | 5.53 |
| World Bank 5⅝ 03 | 3000 | 103½ | 103⅞ | -¼ | 5.23 |
| World Bank 6¾ 02 | 3000 | 105 | 105¼ | -⅛ | 5.06 |
| World Bank 7⅛ 00 | 3000 | 108⅞ | 109 | -1 | 5.72 |
| Abbey Natl Treasury 8 03 £ | 1000 | 101⅛ | 101⅝ | -½ | 7.70 |
| British Land 8⅞ 23 £ | 150 | 101 | 101⅝ | -1 | 8.97 |
| Denmark 6¾ 98 £ | 800 | 100 | 100¼ | -⅛ | 6.71 |
| Depfa Finance 7¾ 03 £ | 500 | 97 | 97¼ | -⅛ | 7.71 |
| EIB 8 03 £ | 1000 | 102¾ | 102⅞ | -½ | 7.42 |
| Finland 7 00 £ | 300 | 99¾ | 99⅞ | -¼ | 7.06 |

[illegible]

A 5% rise in the value of UK retail portfolio provides succour as overseas properties disappoint

# Hammerson income hit by lower rents

By Michael Lindemann

Lower rents, especially at Canadian properties, contributed to a 3.4 per cent fall in rental income at Hammerson, the UK's fifth largest property company. Rental income at properties in France and Germany remained flat because of worse economic sentiment, according to Mr Ron Spinney, chief executive.

He said that conditions in the UK, which represents 60 per cent of Hammerson's business, continued to improve, with the value of the retail portfolio rising 5.2 per cent. A growing shortage of quality office space also meant that Hammerson had been able to increase rents.

Including exceptional items and property disposals, pre-tax profits rose 21.3 per cent to £70m ($111.3m). Excluding exceptionals, pre-tax profits fell 5.8 per cent to £60.6m.

Net asset value per share rose 3.2 per cent from 376p to 388p. The shares fell 1½p to close at 440p.

Profits fell partly because rental income from 99 Bishopsgate, the City sita damaged by the 1992 IRA bomb, was £6.9m lower as surrenders were negotiated and space relet.

The building had now been fully let, Mr Spinney said, and would be producing maximum income by the end of next year.

Hammerson acquired redevelopment sites in Paris and in Birmingham. Analysts described the central Paris office site as "slightly disappointing" because it had lost 7 per cent of its value during the year.

Sterling's strength cost the group £1.2m after it had translated overseas profits.

Mr Spinney said Hammerson expected to take final decisions this year about several developments including the £375m Bull Ring project in Birmingham and the £215m Oracle development in Reading.

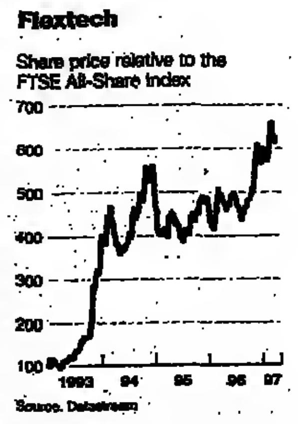
Hammerson said it was still looking for joint venture partners for both developments, providing it retained management responsibility for construction.

Earnings per share, excluding exceptionals, rose 2 per cent from 15.3p to 15.6p. A final dividend of 7.5p makes a total of 11.2p, an increase of 5.2 per cent.

## LEX COMMENT

# Flextech

Cashflow-based corporate valuations bave become more common, but Flextech's meteoric share price rise seems founded more on a newsflow-based multiple. Since shifting from oil services to media, Flextech has rewarded shareholders enormously, bnt is still handicapped by ongoing losses and vast cash outflows. The management team has done astute deals and Flextecb has rarity value – British Sky Broadcasting offers the UK's only other exposure to programming in tbe new multi-channel world. But can it be worth £1bn?




Flextech's strength has been as a media middieman, buying programming, repackaging, and selling to satellite and cable operators. The middleman risks being squeezed out by suppliers or customers. But yesterday's deal to form a joint venture with the BBC and its vast programme library guarantees Flextech supply of programmes and gives it a balf share in the multi-channel exploitation of the strongest brand in British broadcasting.

This creates value, but not £1bn. Viewing figures for most satellite channels remain pitifully low. At least most of Flextech's channels are part of basic subscriber packages, so profits automatically go up with subscriber numbers. But there remains a question over consumers' willingness to pay for programmes – even those from the BBC, which have already been sbown for free. If Flextech's chief executive thinks it is a good time to sell £7m of shares, other investors should perhaps follow.

# Scardino's evolutionary puzzle

**Raymond Snoddy** on Pearson's results under its new chief executive

Mrs Marjorie Scardino, the new chief executive of Pearson, the media,information and entertainment group, was almost apologetic yesterday as she fronted her first annual results meeting at the company.

She knew that City analysts and journalists expected there to be "a hulk covered in a white sheet". She would lift the sheet and there would be "the naw Pearson". But that had never been the show she planned to put on.

"We are trying very hard to make our decisions, and make them speedily but not hastily. Evolution not revolution, that is what is going on around here," said Mrs Scardino on her 49th day in charge of Pearson, whose interests include the Financial Times.

Brendan Corr

Marjorie Scardino: focusing on improving performance and investing in key brands

In that time, she had found quite a lot to like and a lot she would like to change. Given the quality of the assets and the people she was convinced there was "a lot more to go for".

But if she has made up her mind what, if any, assets to sell – other than minority stakes which produce neither important dividend streams not leverage – Mrs Scardino was not saying. Instead, she concentrated on the "motherhood and apple pie" virtues of improving performance across the group and investing in its key brands, such as the FT which will get up to £100m during the next five years to help boost international circulation.

Pearson would have more active management teams, better information and controls, and fairer and more precise ways to judge both pay and results.

By implication, Mrs Scardino was critical of the past management, although she had been told by Lord Blakenham, the outgoing chairman, that she must say exactly what she wanted.

Over the past five years, she said, underlying revenue growth had not topped 6 per cent in any one year. For a company in the fast-growing media sector, this had not been very exciting. There had also not been "quite enough sweat and not enough joy around here about results". In future, there would be "exceptional rewards for exceptional performance".

"One of the things Pearson should have done better in the past is learn from experience." She added, with reference to the heavily loss-making Mindscape software acquisition, that before making large purchases the company ought to know the markets involved.

All the signs are that Mrs Scardino and Mr Dennis Stevenson, who takes over as chairman in May, aim to increase the value of the individual parts before deciding whether refocusing or significant disposals are needed. Yesterday, Mrs Scardino praised the growth and earnings potential of divisions such as television and the Tussauds Group, where speculation about disposals or management buy-outs has been most intense. "We are not planning to sell the television business right now," was all she would say yesterday.

Ms Louise Barton, media analyst at stockbroker Henderson Crosthwaite, gave Mrs Scardino "high marks" for a common sense approach, even though no "new Pearson" was instantly unveiled.

Pearson sbares drifted down 17½p to close at 756¼p, almost certainly because of the lack of drama. Ms Barton believes 970p is possible by the end of the year, so long as the provisions for accounting "irregularities" at Penguin USA – currently £100m – do not unexpectedly get beyond £200m.

The £100m provision, which Pearson said yesterday was still its best estimate, heavily influenced the 1996 results. Turnover at £2.19bn topped £2bn for the first time, but operating profit of £281m dropped to £181m after the charge – a fall of 30 per cent.

But yesterday it was Marjorie Scardino that people wanted to hear. In the informal language that is becoming ber trademark, she wrote to Pearson staff saying she liked the company. "I think I'll stay. There's plenty for us all to work on together."

# Bunzl ahead despite price falls in US

By Michael Lindemann

Higher operating margins helped Bunzl, the paper and plastics group, report a 7 per cent rise in pre-tax profits to £113.5m ($180.5m) in 1996, despite lower prices across many of its businesses.

Mr Antbony Habgood, chairman, said prices had fallen by an average of 8 per cent last year.

Worst affected was Job-lot, the US business which converts over-runs of paper into bespoke products. It saw prices fall some 30 per cent.

Mr Habgood said be saw little sign of further sudden movements. "The price is likely to move up and down slightly at the sort of levels we're at, creating a sort of corrugated iron effect."

However, group operating margins rose from 6.2 per cent to 6.4 per cent, partly because Bunzl withdrew from lower margin businesses, including its fine paper activities in Germany and Italy.

Sales at continuing businesses rose 5 per cent to £1.58bn. Including acquisitions totalling £69m and the fine paper disposals, for £217m, sales rose 2.2 per cent to £1.8bn.

The company said it had been barely affected by the strength of sterling because its average value was $1.57, against $1.58 in 1995. The pound's surge made up for lower levels at the beginning of 1996, said Mr John Bason, finance director.

Plastics and disposables, the division whicb represents more than half Bunzl's turnover, saw sales rise 7 per cent to £950m, driven by a number of small acquisitions in the US. Operating profits at the division rose 14 per cent to £70m.

Following the purchase last year of Alpha Supplies, the hygiene products distribntor, Mr Habgood hinted that Bunzl was weighing up further acquisitions to expand the disposables business in Europe.

"Initially at least, you can only grow through acquisitions," be said, "but it will take time".

Net debt rose from £35m to £42.5m at the year-end, giving gearing of nearly 15 per ceot.

Earnings per share rose 6 per cent from 15.5p to 16.4p. A final dividend of 4.1p is payable, making a total of 6.3p, up 9 per cent.

Profits this year are forecast to rise to about £119m, putting Bunzl on a forward p/e of about 13.

The shares lost 4p to close at 221½p.

# ECC in red after £95m charges

By Ross Tieman

English China Clays suffered a pre-tax loss of £42.9m ($68.2m) last year after £95m of charges and a "ghastly" 12 months in its two core papermaking and speciality chemical businesses.

Dividends for 1996 have been cut 25 per cent to a level the company believes sustainable for the future.

The shares eased 8p to 207½p as Mr Dennis Rediker, who last March replaced Mr Andrew Teare as chief executive, completed his overhaul. Some 300 jobs are to go among the 3,000 Cornish workforce as part of a £10.1m restructuring, and fixed assets have been written down by a further £84.9m.

The biggest write-down was at the US clay mines in Middle Georgia, acquired in 1990 for $254m. Having failed to put in significant new capacity ECC said production of kaolin for paper-whitening at Georgia would not produce the expected profits uplift. It is writing down the value of kaolin resources by £57.8m to $150m. The remaining write-downs relate to the value of facilities making calcium carbooate in Europe. Pressure from papermakers for price cuts by suppliers contributed to a tough year for ECC's kaolin operations worldwide.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alexon | Yr to Jan 25 | 118.8 | (103.9) | 10.2 | (3.03) | 14.45 | (3.26) | nil | - | nil | nil | nil |
| American Port | Yr to Dec 31 ⚹ | 35.6 | (9.1) | 8.6♥ | (2.5) | 11.7 | (8.1) | 1.38 | Apr 30 | - | 2 | - |
| Argos | Yr to Dec 28 | 1,660 | (1,436) | 141.4 | (124.4) | 32.5‡ | (27.5) | 10.7 | May 22 | 8 | 16 | 13♦ |
| Astec (BSR) | Yr to Dec 31 | 390.6 | (371.8) | 33.9 | (28.1) | 8.55 | (7.33) | 1.17 | June 10 | 1 | 1.8 | 1.5 |
| ASW | Yr to Dec 31 | 531.8 | (641.9) | 51.7L♠ | (13.8♥) | 61.9L | (17.1) | nil | - | 0.7 | nil | 4 |
| Bunzl | Yr to Dec 31 | 1,796 | (1,759) | 113.5 | (106.2) | 16.4 | (15.5) | 4.1 | July 1 | 3.8 | 6.3 | 5.8 |
| CA Coutts ф | Yr to Dec 28 | 16.8 | (16.8) | 1.52 | (1.21) | 10.6† | (10.8) | 2.25 | May 14 | - | 3 | - |
| Churchill China | Yr to Dec 31 | 54.1 | (47.1) | 8.16 | (5.08) | 40.3 | (32.9) | 8.7 | May 28 | 7.55 | 13 | 11.25 |
| Dnatek ф | Yr to Dec 31 $ | 5.58 | (0.785) | 2.16L | (3.47L) | 0.1L† | (0.26L) | - | - | - | - | - |
| Eclipse Blinds | Yr to Dec 31 | 41.6 | (35.4) | 6.3 | (4.54) | 9.7 | (7.62) | 2 | May 31 | 1 | 3 | 1 |
| Emess | Yr to Dec 31 | 178.4 | (165.5) | 9.2 | (8.3) | 2.4 | (2.2) | 0.4 | May 21 | 0.2 | 0.4 | 0.2 |
| English China | Yr to Dec 31 | 846.3 | (885.9) | 42.9L♠ | (95.1♠) | 18.83L | (21.04) | 7 | June 10 | 11.2 | 12.5 | 18.7 |
| Gowrings | Yr to Dec 31 | 65.7 | (60.9) | 0.716♠ | (0.811) | 5.49 | (6.66) | 2 | May 19 | 1.75 | 3 | 2.75 |
| Hamlet | 6 mths to Dec 31 | 50.5 | (54.8) | 2.06 | (2.01) | 4.04 | (3.57) | 2.3 | July 1 | 2.2 | - | 7.5 |
| Hammerson | Yr to Dec 31 | 123.2□ | (127.4□) | 70♥ | (57.7♠) | 18.9 | (13) | 7.5 | May 23 | 7.15 | 11.2 | 10.65 |
| Manganese Bronze | 8 mths to Jan 31 | 49.1 | (48) | 4.1 | (2.54) | 17.32 | (10.11) | 3.5 | Apr 8 | 2.5 | - | 7 |
| MediaKey | 11 mths to Dec 31 | 15.6 | (-) | 2.3 | (-) | 2.8 | (-) | 0.75 | May 30 | - | 1.125 | - |
| Metalrax | Yr to Dec 31 | 96.8 | (90.6) | 11.5 | (10.4) | 6.82 | (6.12) | 3 | May 30 | 2.73" | 4 | 3.64" |
| Monument Oil & Gas | Yr to Dec 31 ★ | 52.6 | (25.7) | 12.4 | (12) | 1.76 | (1.7) | - | - | - | - | - |
| Netcall ф | 8 mths to Dec 31 | 0.196 | (0.298) | 0.432L♠ | (0.023) | - | (-) | - | - | - | - | - |
| Pearson | Yr to Dec 31 | 2,186 | (1,830) | 356.8♥ | (365.1♥) | 42.9 | (47.1) | 11.1 | June 6 | 10.175 | 18 | 16.5 |
| Tay Homes | 6 mths to Dec 31 | 49.9 | (39.7) | 4.1♥ | (0.251) | 9.29 | (0.59) | 1.7 | May 2 | 1.55 | - | 7 |
| TT | Yr to Dec 31 | 520.4 | (479.5) | 53.5 | (44.9) | 22.7 | (19.5) | 4.79 | May 22 | 4.08 | 7.59 | 6.52 |
| Wilson Bowden | Yr to Dec 31 | 331.9 | (228.2) | 41 | (29.6) | 29.2 | (21.1) | 8 | May 28 | 7.2 | 11 | 10.05 |
| Yorkshire Group | Yr to Dec 31 | 132.2 | (124.2) | 2.81♠ | (10.6♠) | 0.2L | (16.4) | 6.2 | May 2 | 5.85 | 9.1 | 8.5 |
| Zetters | 9 mths to Dec 31 | 11.5 | (15.4) | 0.856 | (0.859) | - | (-) | - | - | - | - | 10 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alliance | Yr to Jan 31 | 2,686 | (2,428) | 30.2 | (31) | 59.85 | (61.49) | 38.5 | Apr 25 | 37 | 55.5 | 53 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ⚹Pro forma. ♦Excludes 42p special. ‡On reduced capital. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. фAim stock. $US currency. □Total income. "Equivalent after adjustment for scrip issue. ★ Comparatives restated.

## COMMODITIES AND AGRICULTURE

# Philippines warned over new tax proposal

By Justin Marozzi in Manila

The trade association of foreign mining groups in the Philippines yesterday warned that an additional tax being proposed by the government might drive companies out of the country.

Mr Malcolm Norris, the chairman of the International Mining and Exploration Committee was speaking following proposals presented last week by the Department of Environment's mines and geo-sciences bureau.

Under the government scheme, foreign mining companies would be subject to an extra 15 per cent levy on taxable income, in addition to the government taxes and fees which make up the current fiscal regime.

"The government must look at how competitive its fiscal regime is on a global basis," Mr Norris said. "If the Philippines tries to tax companies too heavily, they'll spend their money elsewhere."

Foreign companies, which include WMC of Australia and TVI Pacific of Canada, have been given until April 3 to survey the blueprint financial or technical assistance agreement (FTAA), under which they are allowed to explore up to 81,000 hectares at a fee of 50 pesos ($2) per hectare. Negotiations will then begin between the committee and the Department of Environment.

A final document is expected to be agreed in May, which would then allow the processing of the approximately 100 applications which are awaiting approval.

Foreign companies who receive approval for an FTAA are bound to pay corporate income tax of 35 per cent, local government taxes and regulatory fees, in addition to the exploration charge.

Mr Norris expressed concern that foreign companies were not being treated on equal terms with their local counterparts, as local companies only had to pay government taxes and fees.

"We wonder why large-scale developing which brings great benefits should have an extra 15 per cent stuck on."

Mr Horacio Ramos, director of the mines bureau, defended the proposals. He said foreign companies were already given a tax exemption lasting up to five years from the start of exploration.

"Not many governments provide those sorts of incentives which amount to a tax holiday for five years and where pre-operating costs can be recouped before work begins," he said.

The mining sector has been stagnating since a serious accident last year when Marcopper, a local company 40 per cent owned by Placer Dome of Canada, leaked 20m cu m of waste into a river from its copper mill in Marinduque on Boac island.

All but two of the 70 applications for exploration licenses were subsequently frozen.

# Chicago soyabean futures plunge

MARKETS REPORT

By Laurie Morse in Chicago and Philip Coggan in London

Soyabean futures prices at the Chicago Board of Trade plunged yesterday as hedge funds took profits from a big rally on Friday and talk of a Brazilian soyabean export tax began to be discounted. Soyabeans for July delivery at the CBOT dropped 19 cents a bushel late in the session, falling to $8.32½. On Friday, that same contract had rallied 20¾ cents on talk that Brazil was considering an export tax on soyabeans.

With supplies tight, and demand high globally, oilseed processors are counting on Brazilian beans to keep their plants running. By Monday, Brazilian officials had not confirmed the tax, prompting some traders to sell futures contracts bought on Friday. Analysts said US export shipment figures released on Monday for soyabeans remained supportive for the market.

Prices of both zinc and lead passed through round number levels on the London Metals Exchange yesterday, with analysts saying that commodities funds were responsible for pushing prices higher, in the hope that the move would attract new investors.

Zinc passed $1,300 a tonne and lead $700 in early trading. Both fell back on profit-taking but lead managed to hold above $700.

Copper drifted lower, slipping below $2,350, as rumours circulated about a supposed Chinese decision to suspend imports. However, an official of China's NonFerrous Metals Import and Export Corp was reported as saying that no directive to suspend imports had been issued.

# Cadereyta complex poses test for Pemex

## Mexico's oil monopoly is seeking private funds for its $1bn refinery, reports Daniel Dombey

Thirty kilometres away from the industrial city of Monterrey, in the arid north of Mexico, lurks a giant complex of tubes, vats and steaming chimneys. Together, the 500 hectare jumble makes up the oil refinery of Cadereyta, currently being dramatically reshaped in one of the Mexican industry's biggest projects of the decade.

Cadereyta is not only a $1.1bn test of whether state oil monopoly Petróleos Mexicanos (Pemex) can run a world-class refinery on its own. It will also determine how far Pemex can tap private financing, despite formidable legal constraints.

"We want a plant that is sophisticated enough to remain profitable even when the market is depressed," says Mr Máximo Téllez, the head of the project. "Without that, we would not be able to be in the refining business in Mexico or internationally. We would have to shut the refinery doors."

The refining industry, at present mired in a world slump, has caused Pemex plenty of headaches.

Last year, the company's refining arm was its only division to operate at a loss, falling $322m into the red.

Mr Téllez says that by using cheaper, dirtier inputs such as heavy crude oil, the Cadereyta complex, whose capacity will increase from 235,000 to 270,000 barrels a day, will be less exposed to shifts in world prices. It should also be able to increase its margins by making lighter products with greater added value.

When the project is complete, in 2000, Cadereyta should have cut the presence of contaminants such as sulphur and aromatics in the fuels it makes. It should also have almost eliminated production of fuel oil – which now accounts for one-third of output – and increased that of diesel and petrol.

Such changes are especially important because of environmental regulations which from 1998 will force power stations to switch from fuel oil to natural gas, so diminishing the demand for the dirtier fuel.

The project demands a high level of sophistication. But Pemex argues that through jointly running a similar refinery in Deer Park, Texas with Royal/Dutch Shell, its expertise in the area has greatly increased, despite teething problems that led to the temporary shutdown of the Texas refinery last year.

The single biggest part of the Cadereyta transformation is already under way. Since 1995, Pemex has been building a $110m coker, which will enable the complex to refine heavier fuels than in the past. The plant – due to be completed in February 1998 – is financed by Pemex in the traditional way.

But nine other purifying plants and associated facilities, together worth about $1bn, will not only be built by a private contractor, but also will be privately financed. They represent Pemex's first off-balance sheet project.

The competition for the contract was launched in September last year, and will be decided this June. Mexican companies such as Empresas ICA, Bufete Industrial and Protexa are understood to be interested. Each will probably have to ally with international partners, to provide additional construction expertise as well as the all important financing.

The need for private financing is clear. Pemex has total planned investment of some $6bn this year, but oil and gas extraction are so lucrative and reducing distribution bottlenecks so important for margins, that money is hard to come by for refining.

Mexican law forbids private ownership of oil production facilities, so infrastructure financing schemes such as Build Lease Transfer, where a construction company rents a facility to the operator for a limited period, are illegal. Hence the recourse to off-balance sheet financing for the nine new plants.

The cost of the project will be met by quarterly payments over 10 years once initial tests have taken place. The whole expansion will be totally self-financing, Pemex officials say.

Furthermore, says Mr Rafael Quijano, Latin America director at Petroleum Finance International, an oil & gas consultancy: "The Mexican government does not want to increase balance sheet financing for Pemex, because that would directly increase the indebtedness of the government itself.

"That problem does not occur with off-balance sheet financing."

Pemex officials concur that the money would not have come from the state. "Without funds from the private sector, we could not do this," Mr Téllez says.

Reshaping the Cadereyta plant will allow Pemex to increase margins by making lighter products with greater added value

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1637.5-38.5 | 1672-73 |
| Previous | 1632-33 | 1664-65 |
| High/low | | 1678/1663 |
| AM Official | 1639.5-40.0 | 1676-77 |
| Kerb close | | 1666-69 |
| Open int. | 272,683 | |
| Total daily turnover | 120,040 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1525-35 | 1555-58 |
| Previous | 1522-27 | 1547-50 |
| High/low | | 1560/1550 |
| AM Official | 1530-35 | 1555-56 |
| Kerb close | | 1540-45 |
| Open int. | 6,313 | |
| Total daily turnover | 2,055 | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 708-9 | 704-5 |
| Previous | 694.5-5.5 | 690-0.5 |
| High/low | | 710/697 |
| AM Official | 713-14 | 708.5-09.5 |
| Kerb close | | 703-04 |
| Open int. | 39,928 | |
| Total daily turnover | 12,000 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 7910-20 | 8030-35 |
| Previous | 8005-15 | 8110-20 |
| High/low | 8020/8015 | 8175/8010 |
| AM Official | 8020-25 | 8125-30 |
| Kerb close | | 8035-40 |
| Open int. | 52,361 | |
| Total daily turnover | 18,210 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 6035-45 | 6060-65 |
| Previous | 6045-55 | 6055-60 |
| High/low | 6040 | 6075/6055 |
| AM Official | 6040-45 | 6050-55 |
| Kerb close | | 6050-55 |
| Open int. | 17,547 | |
| Total daily turnover | 6,914 | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 1275.5-76.5 | 1296-97 |
| Previous | 1260.5-61.5 | 1281-82 |
| High/low | 1285/1284 | 1307/1283 |
| AM Official | 1284.5-85.0 | 1304-05 |
| Kerb close | | 1294-95 |
| Open int. | 89,355 | |
| Total daily turnover | 37,288 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 2400-02 | 2353-54 |
| Previous | 2411-13 | 2355-56 |
| High/low | | 2375/2342 |
| AM Official | 2417-18 | 2367-68 |
| Kerb close | | 2342-43 |
| Open int. | 144,309 | |
| Total daily turnover | 68,771 | |

■ LME AM Official £/$ rate: 1.5926
LME Closing £/$ rate: 1.5806

Spot: 1.5800 3 mths: 1.5876 6 mths: 1.5854 9 mths: 1.5836

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 112.80 | -1.15 | 114.20 | 112.50 | 927 | 6,255 |
| Apr | 110.75 | -1.65 | 113.30 | 110.75 | 503 | 3,844 |
| May | 109.65 | -1.55 | 111.90 | 108.50 | 8,451 | 25,043 |
| Jun | 108.05 | -0.90 | 109.20 | 108.70 | 42 | 1,023 |
| Jul | 106.55 | -1.00 | 108.20 | 106.30 | 427 | 7,926 |
| Aug | 105.15 | -0.90 | - | - | 4 | 657 |
| Total | | | | | 8,544 | 58,936 |

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 349.10-349.60 | | |
| Opening | 352.00-352.30 | | |
| Morning fix | 352.05 | 220.898 | 511.177 |
| Afternoon fix | 351.40 | 220.798 | 510.865 |
| Day's High | 352.40-352.70 | | |
| Day's Low | 349.10-349.40 | | |
| Previous close | 352.70-353.20 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ..........4.49 6 months ..........4.38
2 months ..........4.43 12 months ..........4.25
3 months ..........4.39

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 330.10 | 525.50 |
| 3 months | 334.75 | 532.10 |
| 6 months | 339.35 | 538.65 |
| 1 year | 348.75 | 552.15 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 352-354 | 222-223 |
| Maple Leaf | - | - |
| New Sovereign | 82-85 | 52-54 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 347.9 | -4.7 | 352.0 | 352.0 | 29,421 | - |
| Apr | 348.3 | -4.7 | 353.3 | 348.0 | 15,117 | 55,768 |
| Jun | 350.9 | -4.7 | 355.6 | 350.7 | 3,800 | 31,895 |
| Aug | 353.4 | -4.7 | 358.2 | 353.8 | 679 | 10,446 |
| Oct | 355.9 | -4.7 | - | - | 298 | 5,875 |
| Dec | 358.6 | -4.7 | 363.2 | 360.0 | 122 | 21,494 |
| Total | | | | | 19,773 | 186,622 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Apr | 381.6 | -2.4 | 384.5 | 381.0 | 2,182 | 16,286 |
| Jul | 383.5 | -2.4 | 386.5 | 384.0 | 649 | 3,847 |
| Oct | 385.9 | -2.4 | 388.0 | 385.0 | 35 | 2,093 |
| Jan | 388.1 | -2.4 | - | - | 14 | 1,137 |
| Total | | | | | 2,858 | 23,363 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 148.55 | -3.85 | - | - | 102 | 42 |
| Jun | 150.55 | -3.85 | 156.00 | 150.00 | 208 | 10,022 |
| Sep | 151.55 | -3.85 | 157.00 | 157.00 | 7 | 714 |
| Dec | 152.55 | -3.85 | - | - | 1 | 189 |
| Total | | | | | 318 | 10,967 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 520.7 | -4.4 | 524.0 | 520.5 | 155 | 631 |
| May | 523.8 | -4.5 | 529.0 | 523.0 | 10,203 | 62,253 |
| Jul | 528.0 | -4.5 | 532.5 | 528.0 | 945 | 12,911 |
| Sep | 533.7 | -4.5 | 536.0 | 533.0 | 105 | 3,333 |
| Dec | 541.2 | -4.4 | 544.0 | 540.5 | 42 | 5,177 |
| Jan | 544.2 | -4.4 | 553.0 | 553.0 | 2 | 13 |
| Total | | | | | 11,468 | 93,601 |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 21.02 | -0.27 | 21.40 | 20.85 | 54,823 | 47,665 |
| May | 20.97 | -0.23 | 21.33 | 20.85 | 41,969 | 80,304 |
| Jun | 20.91 | -0.19 | 21.20 | 20.83 | 12,390 | 53,228 |
| Jul | 20.81 | -0.16 | 21.04 | 20.76 | 4,545 | 25,993 |
| Aug | 20.70 | -0.17 | 20.85 | 20.67 | 1,176 | 17,295 |
| Sep | 20.70 | -0.10 | 20.85 | 20.60 | 659 | 13,460 |
| Total | | | | | 121,499 | 413,655 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| May | 19.64 | -0.19 | 19.97 | 19.58 | 12,057 | 81,619 |
| Jun | 19.54 | - | 19.87 | 19.54 | 3,696 | 25,269 |
| Jul | 19.49 | -0.02 | 19.78 | 19.48 | 634 | 12,887 |
| Aug | 19.43 | -0.01 | 19.71 | 19.43 | 352 | 6,486 |
| Sep | 19.43 | +0.04 | 19.67 | 19.43 | 129 | 6,398 |
| Oct | 19.50 | +0.14 | 19.63 | 19.44 | 200 | 4,710 |
| Total | | | | | 17,156 | 157,802 |

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 54.40 | -0.93 | 55.90 | 54.05 | 11,772 | 30,488 |
| May | 54.60 | -0.75 | 55.90 | 54.25 | 5,011 | 23,516 |
| Jun | 54.60 | -0.70 | 55.90 | 54.60 | 811 | 13,424 |
| Jul | 55.15 | -0.70 | 56.10 | 55.15 | 1,155 | 12,776 |
| Aug | 56.25 | -0.20 | 56.75 | 56.15 | 207 | 7,900 |
| Sep | 56.75 | -0.35 | 57.50 | 56.75 | 19 | 5,162 |
| Total | | | | | 20,219 | 124,803 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 170.75 | +1.25 | 173.25 | 170.00 | 7,800 | 27,648 |
| May | 172.00 | +1.00 | 173.75 | 171.50 | 2,118 | 7,247 |
| Jun | 172.50 | +0.25 | 174.50 | 172.00 | 1,449 | 10,098 |
| Jul | 173.25 | -0.50 | 175.50 | 173.25 | 377 | 4,274 |
| Aug | 174.75 | -0.25 | 177.50 | 175.50 | 290 | 1,761 |
| Sep | 176.25 | -0.25 | 178.25 | 177.25 | 66 | 1,339 |
| Total | | | | | 12,700 | 63,384 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 1.915 | -0.045 | 2.000 | 1.900 | 7,410 | 28,618 |
| May | 1.970 | -0.051 | 2.050 | 1.950 | 3,191 | 29,107 |
| Jun | 1.995 | -0.051 | 2.060 | 1.980 | 1,862 | 13,354 |
| Jul | 2.000 | -0.048 | 2.055 | 1.985 | 729 | 11,257 |
| Aug | 2.010 | -0.039 | 2.060 | 2.005 | 968 | 9,302 |
| Sep | 2.010 | -0.040 | 2.060 | 2.000 | 781 | 9,003 |
| Total | | | | | 17,357 | 181,274 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 65.05 | -0.72 | 66.25 | 64.60 | 13,540 | 28,158 |
| May | 64.75 | -0.69 | 65.95 | 64.30 | 7,851 | 30,496 |
| Jun | 64.30 | -0.56 | 65.40 | 63.90 | 1,980 | 17,402 |
| Jul | 63.40 | -0.53 | 64.35 | 63.00 | 787 | 7,539 |
| Aug | 62.15 | -0.43 | 62.45 | 61.65 | 528 | 4,270 |
| Sep | 60.40 | -0.78 | 61.60 | 60.20 | 535 | 2,368 |
| Total | | | | | 24,742 | 93,480 |

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 99.40 | +1.90 | - | - | 13 | 196 |
| May | 101.10 | +1.40 | 101.30 | 101.00 | 425 | 3,232 |
| Jul | 103.50 | +1.50 | 103.75 | 103.50 | 138 | 1,174 |
| Sep | 94.25 | +0.75 | - | - | - | 33 |
| Nov | 96.25 | +0.75 | 96.50 | 96.25 | 56 | 2,133 |
| Jan | 98.25 | +0.75 | 98.50 | 98.50 | 30 | 457 |
| Total | | | | | 679 | 7,439 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 378.25 | -7.00 | 383.00 | 375.00 | 65 | 166 |
| May | 381.00 | -6.00 | 381.00 | 380.00 | 6,372 | 26,877 |
| Jul | 372.25 | -5.75 | 380.00 | 371.00 | 12,987 | 41,717 |
| Sep | 372.25 | -6.75 | 379.50 | 372.00 | 812 | 4,108 |
| Dec | 383.00 | -6.50 | 388.50 | 381.00 | 280 | 4,417 |
| Mar | 382.00 | -7.50 | 384.00 | 384.00 | 5 | 81 |
| Total | | | | | 20,527 | 77,584 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 310.25 | +3.00 | 311.25 | 305.75 | 5,930 | 8,670 |
| May | 306.75 | +2.25 | 308.00 | 301.25 | 46,280 | 158,287 |
| Jul | 305.00 | +2.00 | 306.00 | 298.75 | 22,853 | 108,394 |
| Sep | 294.25 | - | 296.00 | 290.75 | 2,935 | 15,306 |
| Dec | 292.00 | - | 294.00 | 288.75 | 20,921 | 76,458 |
| Mar | 295.75 | -1.25 | 297.50 | 293.00 | 508 | 7,011 |
| Total | | | | | 101,804 | 378,598 |

■ BARLEY LIFFE (£ per tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 91.25 | +0.75 | - | - | - | 33 |
| May | 92.25 | +1.00 | 92.00 | 92.00 | 5 | 150 |
| Sep | 91.71 | +0.25 | - | - | - | 28 |
| Nov | 93.75 | +0.25 | 94.00 | 93.75 | 25 | 423 |
| Jan | 95.75 | +0.25 | 96.00 | 95.75 | 10 | 34 |
| Total | | | | | 40 | 668 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 821.00 | -25.00 | 844.50 | 817.00 | 1,779 | 1,967 |
| May | 825.00 | -24.50 | 853.25 | 821.50 | 47,814 | 84,728 |
| Jul | 827.50 | -24.00 | 855.50 | 825.00 | 17,537 | 58,747 |
| Aug | 818.00 | -22.00 | 843.75 | 815.00 | 1,314 | 7,809 |
| Sep | 760.50 | -17.00 | 780.00 | 760.00 | 587 | 4,709 |
| Nov | 710.50 | -13.50 | 728.50 | 708.00 | 9,584 | 31,981 |
| Total | | | | | 78,702 | 192,313 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 24.20 | -0.90 | 25.23 | 24.65 | 197 | 1,730 |
| May | 24.47 | -0.91 | 25.60 | 24.38 | 9,407 | 54,880 |
| Jul | 24.90 | -0.98 | 25.95 | 24.76 | 5,787 | 30,511 |
| Aug | 24.93 | -0.95 | 26.05 | 24.90 | 93 | 5,525 |
| Sep | 25.03 | -0.95 | 25.95 | 24.98 | 172 | 3,352 |
| Oct | 25.25 | -0.84 | 26.20 | 25.25 | 467 | 3,174 |
| Total | | | | | 18,863 | 111,189 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 271.5 | -4.6 | 277.5 | 270.0 | 1,472 | 2,554 |
| May | 267.9 | -6.8 | 276.0 | 267.0 | 16,087 | 48,745 |
| Jul | 269.1 | -7.1 | 272.5 | 264.0 | 8,430 | 28,685 |
| Aug | 259.3 | -5.9 | 266.0 | 258.0 | 1,056 | 8,139 |
| Sep | 244.9 | -6.4 | 251.8 | 244.5 | 721 | 3,742 |
| Oct | 225.0 | -4.0 | 228.5 | 224.5 | 691 | 4,252 |
| Total | | | | | 28,974 | 108,480 |

■ POTATOES LIFFE (£/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Apr | 56.0 | +3.4 | 58.0 | 52.9 | 52 | 759 |
| May | 82.0 | +4.3 | 82.0 | 81.0 | 3 | 310 |
| Jun | 70.0 | +1.0 | - | - | - | - |
| Nov | 60.0 | - | - | - | - | 2 |
| Mar | 95.0 | +1.0 | - | - | - | - |
| Apr | 106.0 | -2.5 | 108.0 | 106.0 | - | 661 |
| Total | | | | | 56 | 1,762 |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 1525 | +5 | 1530 | 1525 | 12 | 469 |
| Apr | 1635 | +25 | 1650 | 1620 | 66 | 1,150 |
| May | 1695 | +20 | 1615 | 1600 | 71 | 505 |
| Jul | 1354 | +24 | 1355 | 1345 | 22 | 668 |
| Oct | 1454 | +14 | 1450 | 1445 | 15 | 259 |
| Jan | 1455 | +20 | 1450 | 1450 | 2 | 47 |
| Total | | | | | 188 | 3,118 |

| | Close | Prev |
|---|---|---|
| BFI | 1481 | 1475 |

FUTURES DATA
*All futures data supplied by CMS.*

### SOFTS

■ COCOA LIFFE (£/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 1019 | +9 | 1010 | 1010 | 10 | 709 |
| May | 1029 | +9 | 1029 | 1004 | 2,128 | 31,948 |
| Jul | 1040 | +13 | 1040 | 1012 | 1,102 | 14,984 |
| Sep | 1044 | +12 | 1042 | 1019 | 181 | 12,925 |
| Dec | 1042 | +12 | 1040 | 1019 | 495 | 24,692 |
| Mar | 1060 | +14 | 1059 | 1036 | 972 | 22,100 |
| Total | | | | | | |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | | | | | | |
|---|---|---|---|---|---|---|
| May | 1482 | +42 | 1490 | 1422 | 5,825 | 30,269 |
| Jul | 1504 | +40 | 1513 | 1446 | 3,468 | 20,692 |
| Sep | 1525 | +40 | 1528 | 1468 | 883 | 11,545 |
| Dec | 1548 | +36 | 1550 | 1495 | 423 | 8,324 |
| Mar | 1568 | +36 | 1575 | 1517 | 543 | 18,032 |
| May | 1584 | +36 | 1542 | 1530 | 188 | 8,559 |
| Total | | | | | 11,331 | 96,411 |

■ COCOA (ICCO) (SDR's/tonne)

| Mar 14 | Price | Prev. day |
|---|---|---|
| Daily | 1136.96 | 1114.91 |

■ COFFEE LIFFE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 1693 | -5 | 1718 | 1685 | 156 | 1,719 |
| May | 1680 | - | 1715 | 1680 | 2,240 | 26,161 |
| Jul | 1675 | -3 | 1703 | 1666 | 906 | 10,468 |
| Sep | 1665 | -2 | 1692 | 1653 | 427 | 5,514 |
| Nov | 1640 | -2 | 1662 | 1628 | 240 | 2,582 |
| Jan | 1615 | -7 | 1633 | 1615 | 83 | 526 |
| Total | | | | | | |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 197.65 | -7.35 | 205.50 | 195.50 | 306 | 426 |
| May | 168.65 | -17.70 | 185.90 | 167.65 | 7,836 | 21,228 |
| Jul | 158.95 | -15.20 | 171.50 | 156.25 | 2,279 | 8,093 |
| Sep | 145.80 | -14.40 | 160.25 | 154.30 | 946 | 4,950 |
| Dec | 132.65 | -13.35 | 146.50 | 140.00 | 525 | 3,357 |
| Mar | 125.15 | -12.10 | 133.05 | 131.25 | 128 | 822 |
| Total | | | | | 12,130 | 38,865 |

■ COFFEE (ICO) (US cents/pound)

| Mar 14 | | Prev. day |
|---|---|---|
| Comp. daily | 138.44 | 137.81 |
| 15 day average | 137.36 | 136.32 |

■ WHITE SUGAR LIFFE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| May | 307.0 | -0.4 | 308.0 | 306.0 | 409 | 14,365 |
| Aug | 305.7 | -0.4 | 308.0 | 304.5 | 243 | 4,561 |
| Oct | 302.2 | -0.4 | 302.5 | 302.0 | 131 | 3,149 |
| Dec | 300.5 | -0.6 | 301.0 | 300.8 | 28 | 929 |
| Mar | 302.5 | -1.0 | 302.0 | 302.0 | 5 | 505 |
| May | 301.5 | +0.3 | - | - | - | 159 |
| Total | | | | | 713 | 23,688 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| May | 10.82 | +0.02 | 10.84 | 10.82 | 7,229 | 67,539 |
| Jul | 10.67 | +0.04 | 10.69 | 10.59 | 1,872 | 35,046 |
| Oct | 10.60 | +0.04 | 10.60 | 10.55 | 960 | 25,125 |
| Mar | 10.60 | +0.04 | 10.61 | 10.57 | 433 | 12,756 |
| May | 10.59 | +0.02 | 10.61 | 10.56 | 40 | 2,381 |
| Jul | 10.59 | +0.02 | 10.59 | 10.59 | 13 | 1,317 |
| Total | | | | | 10,567 | 144,529 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| May | 74.91 | -0.70 | 75.85 | 74.65 | 9,699 | 34,121 |
| Jul | 76.15 | -0.58 | 76.90 | 76.10 | 2,890 | 15,634 |
| Oct | 76.60 | -0.60 | 77.10 | 76.60 | 231 | 1,495 |
| Dec | 76.80 | -0.35 | 77.15 | 76.75 | 2,184 | 20,896 |
| Mar | 77.60 | -0.32 | 78.15 | 78.05 | 45 | 1,454 |
| May | 78.10 | -0.15 | - | - | 33 | 486 |
| Total | | | | | 3,862 | 73,095 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| May | 83.65 | +1.00 | 84.50 | 82.90 | 2,030 | 14,531 |
| Jul | 85.60 | +0.70 | 86.50 | 85.20 | 382 | 5,044 |
| Sep | 87.55 | +0.90 | 88.00 | 87.00 | 114 | 3,546 |
| Nov | 89.50 | +0.95 | 89.75 | 88.70 | 110 | 1,092 |
| Jan | 90.65 | +0.95 | 89.75 | 89.70 | 45 | 644 |
| Mar | 92.15 | +0.95 | 92.50 | 92.00 | 10 | 288 |
| Total | | | | | 1,442 | 25,697 |

**Tea**
Demand was strong, The Tea Brokers' Association reports. Landed bright liquoring East Africans met keen competition and prices advanced 5 pence to 10 pence a kg. Coloury mediums appreciated 2 pence to 4 pence a kg with others firm. Offshore coloury Central Africans often showed substantial gains, but others were rather irregular. Quotations for this sale; landed best available 153p; good 145p; good medium 135p; medium 128p; low medium 100p. The highest price realised this week was 153p a kg for a Burundi PD.

**VOLUME DATA**
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

### INDICES

■ Reuters (Base: 18/9/31 = 100)

| Mar 17 | Mar 14 | month ago | year ago |
|---|---|---|---|
| 1997.1 | 1992.5 | 1973.6 | 2138.3 |

■ CRB Futures (Base: 1967 = 100)

| Mar 14 | Mar 13 | month ago | year ago |
|---|---|---|---|
| 246.93 | 245.06 | | |

■ GSCI Spot (Base: 1970 = 100)

| Mar 14 | Mar 13 | month ago | year ago |
|---|---|---|---|
| 195.39 | 192.86 | 192.79 | 197.12 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Apr | 69.075 | +0.375 | 69.175 | 68.700 | 8,321 | 37,432 |
| Jun | 64.750 | +0.075 | 65.100 | 64.450 | 4,058 | 25,283 |
| Aug | 63.425 | +0.06 | 63.700 | 63.225 | 1,764 | 20,866 |
| Oct | 67.100 | -0.025 | 67.450 | 67.000 | 940 | 14,829 |
| Dec | 69.100 | -0.05 | 69.325 | 69.000 | 397 | 7,156 |
| Feb | 70.300 | -0.125 | 70.500 | 70.250 | 86 | 2,860 |
| Total | | | | | 8,930 | 108,840 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Apr | 70.375 | +0.275 | 70.850 | 70.100 | 4,122 | 11,250 |
| Jun | 77.325 | +0.525 | 78.000 | 77.100 | 2,369 | 12,113 |
| Jul | 76.125 | +0.45 | 76.550 | 75.850 | 375 | 2,885 |
| Aug | 72.125 | -0.025 | 72.825 | 72.000 | 481 | 2,415 |
| Oct | 65.175 | -0.025 | 65.800 | 65.050 | 66 | 1,458 |
| Dec | 64.350 | +0.225 | 64.850 | 64.000 | 4,122 | 11,250 |
| Total | | | | | 7,413 | 31,481 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 76.225 | +0.825 | 76.250 | 75.500 | 73 | 139 |
| May | 77.225 | +1.25 | 77.450 | 75.850 | 1,235 | 4,751 |
| Jul | 76.950 | +1.15 | 77.000 | 75.700 | 253 | 1,558 |
| Aug | 73.350 | +0.46 | 74.050 | 73.300 | 73 | 535 |
| Feb | 71.300 | +0.55 | 72.000 | 71.900 | 14 | 35 |
| Total | | | | | 1,646 | 7,019 |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Apr | Jul | Apr | Jul |
|---|---|---|---|---|
| 1600 | 57 | 104 | 9 | 35 |
| 1700 | 28 | 75 | 28 | 55 |
| 1800 | 9 | 52 | 61 | 81 |
| ■ COPPER (Grade A) LME | Apr | Jul | Apr | Jul |
| 2200 | 107 | 102 | 10 | 97 |
| 2300 | 41 | 62 | 43 | 154 |
| 2400 | 10 | 35 | 112 | 226 |
| ■ COFFEE LIFFE | May | Jul | May | Jul |
| 1650 | 110 | 171 | 70 | 146 |
| 1700 | 85 | 148 | 95 | 173 |
| 1750 | 65 | 131 | 125 | 208 |
| ■ COCOA LIFFE | May | Jul | May | Jul |
| 975 | 56 | 88 | 11 | 23 |
| 1000 | 47 | 72 | 16 | 32 |
| 1025 | 33 | 58 | 29 | 43 |
| ■ BRENT CRUDE IPE | May | Jun | May | Jun |
| 1950 | - | - | - | - |
| 2000 | 49 | - | - | - |
| 2050 | - | - | - | - |

### LONDON SPOT MARKETS

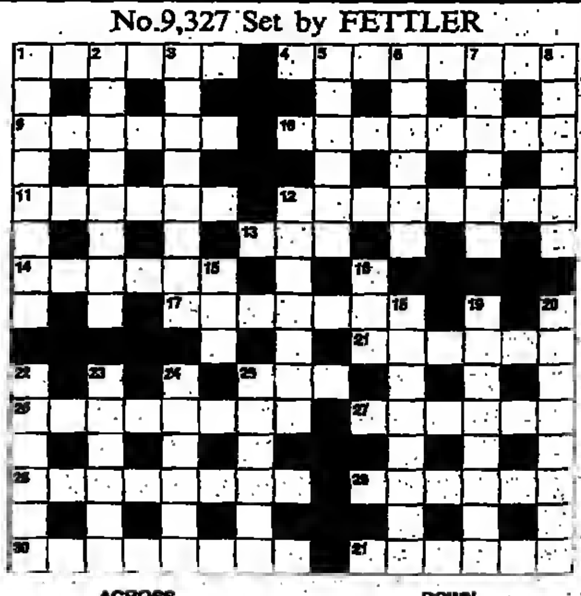
| ■ CRUDE OIL FOB (per barrel) | | +or- |
|---|---|---|
| Dubai | $18.09-8.11w | -0.055 |
| Brent Blend (dated) | $18.96-9.05 | -0.335 |
| Brent Blend (May) | $18.67-8.69 | -0.040 |
| W.T.I. | $21.00-1.02w | |
| ■ OIL PRODUCTS NWE prompt delivery CIF (tonne) | | |
| Premium Gasoline | $214-216 | |
| Gas Oil | $172-174 | +1 |
| Heavy Fuel Oil | $82-83 | +0.5 |
| Naphtha | $198-202 | +2 |
| Jet fuel | $193-195 | +1.5 |
| Diesel | $182-184 | +0.5 |
| ■ NATURAL GAS (Pence/therm) | | |
| Bacton (Apr) | 9.70-9.90 | |
| *Petroleum Argus. Tel. London (0171) 359 8792* | | |
| IPE (Apr) | 9.700 | -0.125 |
| ■ OTHER | | |
| Gold (per troy oz)♣ | $349.35 | -3.80 |
| Silver (per troy oz)♣ | 523.00c | -8.00 |
| Platinum (per troy oz.) | $379.00 | -3.75 |
| Palladium (per troy oz.) | $152.00 | -0.25 |
| Copper | 118.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 14.52r | |
| Tin (New York) | 282.50 | |
| Cattle (live weight) | 98.62p | +3.25* |
| Sheep (live weight) | 151.49p | +2.16* |
| Pigs (live weight)† | 84.89p | +3.31* |
| Lon. day sugar (raw) | $272.80 | +3.30 |
| Lon. day sugar (wte) | $311.00 | +4.00 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Apr)¥ | 79.75p | |
| Rubber (May)¥ | 79.75p | |
| Rubber (KL RSS No1) | 306.5x | -0.5 |
| Coconut Oil (Phil)§ | 740.0y | |
| Palm Oil (Malay.)§ | 565.0 | +12.5 |
| Copra (Phil)§ | $490.0y | |
| Soyabeans (US) | 233.0 | +2.00 |
| Cotton Outlook'A' index | 80.90 | |
| Wooltops (64s Super) | 429p | +16 |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y Apr/May ¥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 926 head of pigs sold.



## CROSSWORD

No.9,327 Set by FETTLER



ACROSS
1 See ego dip when treated like a pariah (3-3)
4 Eccentric ate green produce (8)
9 Went out on a high, wanting cocaine .... (6)
10 .... and in one way left completely adrift (8)
11 One's best friend is a disaster (6)
12 Recall to mind part of the military arm (8)
13, 15, 16, 25 Hand me a gee-gee cut up in a mixed state for homely grub (3,3,3,3)
14 Swift-flying island, one placed in Long Acre (6)
17 Increase and extend by general mobilisation (7)
21 Jazz singers take off rock (6)
25 See 13
26 Authority can sit on recalcitrant (8)
27 One assembling machinery is clearly more able (6)
28 So let it be experienced and pliant withall (8)
29 Relating to rock containing dispersed elements of tin on tellurium (6)
30 Ballerina's exercise, following her forte (8)
31 Now at this point we have to stick (6)

DOWN
1 Introduction for doctor in a leper settlement (8)
2 25 25s reproduce old survey (8)
3 Some letters include a light meal (8)
5 High value returns, fitting to the home counties (6)
6 Story spun by journalist raised the spirits (6)
7 Tar smears produce a nervous reaction (6)
8 Last to finish before an old operation (6)
12 Recipe has one creatin' a small dish (7)
15 See 13
16 See 13
18 Loose lines Edward joined up (8)
19 Sit out during a trip, and hold oneself aloof .... (8)
20 .... like established rank (8)
22 Lives by ground surrounded by water (6)
23 Confine successively, it's said (6)
24 Fliers furiously set about such an attack (6)
25 Chickens are usually first to settle in perches (6)

Solution to Saturday's prize puzzle on Saturday March 29.
Solution to yesterday's prize puzzle on Tuesday April 1.

## CURRENCIES AND MONEY

# Pound plummets on election call

MARKETS REPORT

By Simon Kuper

Sterling plunged almost 4 pfennigs against the D-Mark yesterday as pre-election jitters prompted traders to take profits on the currency's long rally.

The pound fell sharply in the morning on reports that Mr John Major, the prime minister, was about to announce that the general election would be held on May 1. He did so at noon.

Almost everyone in the market had expected May 1 to be the election date. Mr Kit Juckes, currency analyst at NatWest Markets in London, said it was the combination of the news, a strengthening D-Mark, and the recent fall in expected UK interest rate levels that hit the pound, "the poor beleagured beastie". It fell 3.7 pfennigs to DM2.683 against the D-Mark, and dropped 1.4 cents against the dollar to $1.587.

The pound has now lost almost 9 pfennigs against the German currency in the last ten days. It is still 14 per cent stronger against a trade weighted basket of currencies than it was in August.

Election nerves also hit the short sterling futures market. Every contract from March 1998 through June 1999 dropped 9 points, as the markets priced in increased uncertainty until the vote and the risk of structurally higher interest rates under a Labour government.

The D-Mark rose across the board, helped by continuing fears that European monetary union will be delayed and by optimism over the German economy. The market expects this week's Ifo survey of business confidence in western Germany and M3 money supply figures to emerge strong.

The D-Mark rose more than half a yen against the Japanese currency, and gained 0.8 pfennigs against the dollar to DM1.691.

The Swedish krona, which plunged last week, weakened slightly further as Mr Erik Asbrink, the finance minister, repeated that he was "not especially worried" about the currency's fall. The krona dropped from SKr4.566 to a new 12-month low of SKr4.577 against the D-Mark yesterday. But Mr Asbrink also said that Sweden's economic fundamentals were strong and would "come through" in the currency market.

■ The lira had a bad day. It dropped L5.7 against the D-Mark to L1,002, hit partly by uncertainty ahead of the country's mini-budget expected later this month. Italian bonds were also down.

Italy's government wants to use the mini- budget to push through spending cuts to raise Italy's chances of qualifying for Emu. However, the country's Communists oppose many of the cuts. The Bank of Italy intervened again in the market yesterday to support the lira, while the Bank of Spain intervened to buy pesetas.

■ Was the market being rational in selling the pound yesterday? After all, Mr Major named the expected date.

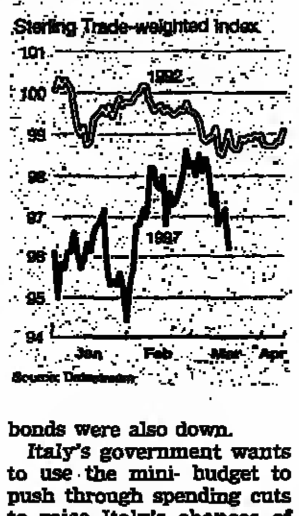
However, the market only discovered this weekend that he would make his announcement so early. The campaign will now last six weeks, the longest period for 80 years. That gives both major parties great scope to paint each other black and make election-winning promises that might upset the markets, said Mr Gerard Lyons, chief economist at DKB International in London. The long campaign also gives the Conservatives time to make up some of the lost ground against Labour. The market currently expects Labour to win. Any uncertainty over the result would hit the pound.

Election campaigns are almost always bad times for the pound. Most foreign exchange strategists expect the currency to slip slightly further before the vote. Technical analysts said the pound's fall broke key trendlines yesterday. Mr Michael Petley, technical analyst at the ECU Group in London, said that the next test for the pound against the D-Mark was at DM2.6350. If it broke that level, it could "quickly" drop to DM2.60.

However, many strategists think the pound will stabilise or even rebound for a while after the election. The new government is expected to raise interest rates virtually immediately, and UK rates are already higher than those in any other major economy. Few strategists think Labour policies would shake the pound.

**£'s election run-up**

Sterling Trade-weighted index




Source: Datastream

■ **Pound in New York**

| Mar 17 | —Latest— | — Prev. close — |
|---|---|---|
| £ spot | 1.5900 | 1.6015 |
| 1 mth | 1.5892 | 1.6006 |
| 3 mth | 1.5876 | 1.5990 |
| 1 yr | 1.6006 | 1.5932 |

■ **OTHER CURRENCIES**

| Mar 17 | £ | $ |
|---|---|---|
| Czech Rp | 45.9093 - 45.9887 | 28.9320 - 28.9530 |
| Hungary | 279.943 - 280.181 | 176.420 - 176.470 |
| Iran | 4763.10 - 4760.40 | 3000.00 - 3000.00 |
| Kuwait | 0.4816 - 0.4822 | 0.3036 - 0.3037 |
| Poland | 4.8810 - 4.8869 | 3.0760 - 3.0780 |
| Russia | 9047.93 - 9056.24 | 5702.00 - 5704.00 |
| U.A.E. | 5.8236 - 5.8332 | 3.6700 - 3.6740 |

## POUND SPOT FORWARD AGAINST THE POUND

| Mar 17 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 18.8802 | -0.2863 | 693 - 911 | 19.1174 | 18.8698 | 18.8367 | 2.8 | 18.7802 | 2.1 | - | - | 104.1 |
| Belgium | (BFr) | 55.3284 | -0.7872 | 730 - 837 | 56.0380 | 55.2710 | 55.2034 | 2.7 | 54.9434 | 2.8 | 53.6194 | 3.1 | 104.0 |
| Denmark | (DKr) | 10.2432 | -0.1396 | 385 - 478 | 10.3888 | 10.2358 | 10.2212 | 2.6 | 10.1777 | 2.6 | 9.9677 | 2.7 | 106.4 |
| Finland | (FM) | 8.0605 | -0.0648 | 525 - 684 | 8.1180 | 8.0290 | - | - | - | - | - | - | 83.4 |
| France | (FFr) | 9.0490 | -0.1295 | 456 - 523 | 9.1688 | 9.0443 | 9.0268 | 2.9 | 8.9832 | 2.9 | 8.7661 | 3.1 | 107.0 |
| Germany | (DM) | 2.6826 | -0.0377 | 811 - 840 | 2.7187 | 2.6789 | 2.6759 | 3.0 | 2.6624 | 3.0 | 2.5957 | 3.2 | 105.9 |
| Greece | (Dr) | 423.407 | -4.41 | 168 - 646 | 427.355 | 421.862 | - | - | - | - | - | - | 68.4 |
| Ireland | (I£) | 1.0194 | -0.0047 | 178 - 210 | 1.0247 | 1.0176 | 1.0191 | 0.4 | 1.0182 | 0.5 | 1.0116 | 0.8 | 102.4 |
| Italy | (L) | 2687.77 | -22.63 | 582 - 972 | 2711.57 | 2685.05 | 2691.17 | -1.5 | 2696.02 | -1.2 | 2698.82 | -0.4 | 75.7 |
| Luxembourg | (LFr) | 55.3284 | -0.7872 | 730 - 837 | 56.0380 | 55.2710 | 55.2034 | 2.7 | 54.9434 | 2.8 | 53.6134 | 3.1 | 104.0 |
| Netherlands | (Fl) | 3.0188 | -0.0421 | 175 - 200 | 3.0566 | 3.0156 | 3.0107 | 3.2 | 2.9949 | 3.2 | 2.9134 | 3.3 | 103.7 |
| Norway | (NKr) | 10.8717 | -0.0966 | 670 - 764 | 10.9818 | 10.8364 | 10.8472 | 2.7 | 10.7967 | 2.7 | 10.5732 | 2.7 | 102.0 |
| Portugal | (Es) | 270.007 | -3.587 | 851 - 169 | 272.670 | 269.780 | 270.147 | -0.6 | 270.432 | -0.6 | - | - | 94.8 |
| Spain | (Pta) | 227.913 | -3.813 | 769 - 057 | 230.640 | 227.730 | 228.047 | -0.7 | 227.913 | 0.0 | 226.438 | 0.6 | 78.0 |
| Sweden | (SKr) | 12.2840 | -0.1407 | 749 - 931 | 12.4292 | 12.2639 | 12.265 | 1.8 | 12.2255 | 1.9 | 12.0295 | 2.1 | 83.3 |
| Switzerland | (SFr) | 2.3147 | -0.025 | 132 - 161 | 2.3373 | 2.3072 | 2.3059 | 4.6 | 2.288 | 4.6 | 2.2039 | 4.8 | 103.4 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 96.1 |
| Ecu | - | 1.3859 | -0.0154 | 846 - 860 | 1.3998 | 1.3834 | 1.3831 | 1.9 | 1.3784 | 2.0 | 1.3533 | 2.3 | - |
| SDR† | - | 1.16374 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5870 | -0.0131 | 865 - 874 | 1.6022 | 1.5862 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.6813 | -0.0076 | 806 - 819 | 1.6960 | 1.6804 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1748 | -0.0085 | 736 - 759 | 2.1883 | 2.1701 | 2.1689 | 3.2 | 2.1582 | 3.1 | 2.1136 | 2.8 | 85.5 |
| Mexico | (New Peso) | 12.6877 | -0.0827 | 817 - 937 | 12.7817 | 12.6857 | - | - | - | - | - | - | - |
| USA | ($) | 1.5873 | -0.0136 | 868 - 877 | 1.6030 | 1.5865 | 1.5864 | 0.7 | 1.5845 | 0.7 | 1.5778 | 0.6 | 104.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.9997 | -0.0076 | 985 - 009 | 2.0118 | 1.9974 | 1.9996 | 0.1 | 1.9988 | 0.2 | 1.9947 | 0.3 | 99.7 |
| Hong Kong | (HK$) | 12.2931 | -0.1067 | 893 - 969 | 12.4152 | 12.2876 | 12.2885 | 0.5 | 12.2775 | 0.5 | 12.2374 | 0.5 | - |
| India | (Rs) | 56.9426 | -0.4657 | 869 - 984 | 57.4690 | 56.8850 | - | - | - | - | - | - | - |
| Israel | (Shk) | 5.3446 | -0.0472 | 380 - 512 | 5.3887 | 5.3339 | - | - | - | - | - | - | - |
| Japan | (Y) | 196.319 | -1.208 | 192 - 446 | 198.320 | 196.150 | 195.349 | 5.9 | 193.489 | 5.8 | 184.879 | 5.8 | 122.5 |
| Malaysia | (M$) | 3.9327 | -0.0327 | 308 - 346 | 3.9702 | 3.9307 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.2863 | -0.0078 | 848 - 878 | 2.2991 | 2.2833 | 2.2892 | -1.5 | 2.2943 | -1.4 | 2.3146 | -1.2 | 115.5 |
| Philippines | (Peso) | 41.8098 | -0.348 | 646 - 549 | 42.1910 | 41.7810 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.9529 | -0.0512 | 510 - 547 | 6.0119 | 5.9502 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.2769 | -0.0193 | 755 - 788 | 2.2986 | 2.2748 | - | - | - | - | - | - | - |
| South Africa | (R) | 7.0331 | -0.0605 | 287 - 375 | 7.1095 | 7.0272 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1396.78 | -11.21 | 321 - 035 | 1410.35 | 1392.29 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 43.6912 | -0.3598 | 370 - 253 | 44.1242 | 43.6222 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 41.1892 | -0.3702 | 616 - 167 | 41.5990 | 41.1600 | - | - | - | - | - | - | - |

1 Rates for Mar 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Mar 17 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.8949 | -0.0649 | 914 - 984 | 11.9390 | 11.8620 | 11.8802 | 1.5 | 11.8348 | 2.0 | 11.6399 | 2.1 | 103.6 |
| Belgium | (BFr) | 34.8580 | -0.1946 | 330 - 830 | 34.9820 | 34.7800 | 34.798 | 2.1 | 34.6705 | 2.2 | 34.1305 | 2.1 | 103.8 |
| Denmark | (DKr) | 6.4534 | -0.0322 | 523 - 545 | 6.4760 | 6.4395 | 6.4445 | 1.7 | 6.4261 | 1.7 | 6.3444 | 1.7 | 105.6 |
| Finland | (FM) | 5.0783 | +0.0028 | 747 - 818 | 5.0900 | 5.0466 | 5.0695 | 2.1 | 5.0507 | 2.2 | 4.9683 | 2.2 | 83.2 |
| France | (FFr) | 5.7010 | -0.0324 | 005 - 015 | 5.7228 | 5.6877 | 5.6903 | 2.3 | 5.6693 | 2.2 | 5.561 | 2.5 | 106.2 |
| Germany | (DM) | 1.6901 | -0.0092 | 896 - 905 | 1.6965 | 1.6853 | 1.6869 | 2.3 | 1.6804 | 2.3 | 1.6467 | 2.6 | 105.1 |
| Greece | (Dr) | 266.755 | -0.48 | 680 - 830 | 266.960 | 264.730 | 268.31 | -7.0 | 270.88 | -6.2 | 281.905 | -5.7 | 66.3 |
| Ireland | (I£) | 1.5570 | -0.0063 | 550 - 590 | 1.5666 | 1.5520 | 1.5565 | 0.3 | 1.556 | 0.3 | 1.5573 | 0.0 | - |
| Italy | (L) | 1693.35 | +0.8 | 260 - 410 | 1694.73 | 1685.60 | 1696.35 | -2.1 | 1701.2 | -1.9 | 1711 | -1.0 | 75.8 |
| Luxembourg | (LFr) | 34.8580 | -0.1945 | 330 - 830 | 34.9820 | 34.7800 | 34.798 | 2.1 | 34.6705 | 2.2 | 34.1305 | 2.1 | 103.8 |
| Netherlands | (Fl) | 1.9019 | -0.0101 | 016 - 021 | 1.9080 | 1.8962 | 1.8981 | 2.4 | 1.8901 | 2.5 | 1.8545 | 2.5 | 103.2 |
| Norway | (NKr) | 6.8494 | -0.0019 | 484 - 504 | 6.8678 | 6.8071 | 6.8457 | 0.7 | 6.84 | 0.5 | 6.8144 | 0.5 | 101.6 |
| Portugal | (Es) | 170.110 | -0.79 | 060 - 160 | 170.450 | 169.530 | 170.24 | -0.9 | 170.39 | -0.7 | 170.125 | 0.0 | 95.2 |
| Spain | (Pta) | 143.590 | -0.845 | 540 - 640 | 144.000 | 143.120 | 143.68 | -0.8 | 143.8 | -0.6 | 143.595 | 0.0 | 77.7 |
| Sweden | (SKr) | 7.7392 | -0.0218 | 356 - 427 | 7.7600 | 7.7084 | 7.7364 | 0.4 | 7.7266 | 0.7 | 7.6792 | 0.8 | 82.7 |
| Switzerland | (SFr) | 1.4583 | -0.0032 | 578 - 588 | 1.4608 | 1.4505 | 1.4535 | 3.9 | 1.4441 | 3.9 | 1.3985 | 4.1 | 103.2 |
| UK | (£) | 1.5873 | -0.0136 | 868 - 877 | 1.6030 | 1.5865 | 1.5864 | 0.7 | 1.5846 | 0.7 | 1.5778 | 0.6 | 96.9 |
| Ecu | - | 1.1458 | +0.0028 | 455 - 460 | 1.1505 | 1.1427 | 1.1468 | -1.2 | 1.1496 | -1.3 | 1.1647 | -1.7 | - |
| SDR† | - | 0.728704 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9998 | +0.0003 | 998 - 999 | 0.9998 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0592 | +0.0042 | 591 - 593 | 1.0593 | 1.0562 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3702 | +0.0064 | 698 - 705 | 1.3715 | 1.3640 | 1.3674 | 2.5 | 1.3621 | 2.4 | 1.3407 | 2.2 | 85.8 |
| Mexico | (New Peso) | 7.8935 | +0.0165 | 920 - 950 | 7.9960 | 7.9860 | 8.1115 | -17.7 | 8.379 | -19.2 | 9.2385 | -15.6 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 104.8 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.2598 | +0.006 | 594 - 602 | 1.2605 | 1.2551 | 1.2605 | -0.7 | 1.2613 | -0.5 | 1.2666 | -0.5 | 102.0 |
| Hong Kong | (HK$) | 7.7449 | -0.0006 | 447 - 451 | 7.7460 | 7.7445 | 7.7448 | 0.0 | 7.7454 | 0.0 | 7.7564 | -0.1 | - |
| India | (Rs) | 35.8750 | +0.015 | 500 - 000 | 35.9050 | 35.8450 | 36.09 | -7.2 | 36.55 | -7.5 | - | - | - |
| Israel | (Shk) | 3.3672 | -0.0008 | 640 - 704 | 3.3709 | 3.3620 | - | - | - | - | - | - | - |
| Japan | (Y) | 123.685 | +0.3 | 640 - 730 | 123.770 | 123.250 | 123.15 | 5.2 | 122.125 | 5.0 | 117.325 | 5.1 | 123.6 |
| Malaysia | (M$) | 2.4777 | +0.0007 | 772 - 782 | 2.4798 | 2.4741 | 2.4806 | -1.4 | 2.4859 | -1.3 | 2.5072 | -1.2 | - |
| New Zealand | (NZ$) | 1.4404 | +0.0074 | 399 - 409 | 1.4412 | 1.4342 | 1.4427 | -1.9 | 1.447 | -1.8 | 1.4677 | -1.9 | - |
| Philippines | (Peso) | 26.3410 | +0.0085 | 200 - 620 | 26.3620 | 26.3200 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7504 | - | 503 - 505 | 3.7505 | 3.7500 | 3.7506 | -0.1 | 3.7511 | -0.1 | 3.753 | -0.1 | - |
| Singapore | (S$) | 1.4345 | +0.0002 | 340 - 350 | 1.4353 | 1.4333 | 1.4324 | 1.9 | 1.4278 | 1.9 | 1.4065 | 2.0 | - |
| South Africa | (R) | 4.4310 | -0.0125 | 295 - 325 | 4.4430 | 4.4295 | 4.4717 | -11.0 | 4.5467 | -10.4 | 4.8615 | -9.7 | - |
| South Korea | (Won) | 880.000 | +0.5 | 000 - 000 | 882.300 | 878.000 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 27.5200 | +0.01 | 000 - 400 | 27.5460 | 27.5000 | 27.5201 | 0.0 | 27.5203 | 0.0 | - | - | - |
| Thailand | (Bt) | 25.9500 | -0.01 | 400 - 600 | 25.9800 | 25.9400 | 26.04 | -4.2 | 26.2075 | -4.0 | 26.845 | -3.4 | - |

† SDR rate per $ for Mar 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 14: Base average 1990=100.

## WORLD INTEREST RATES

### MONEY RATES

| March 17 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3 7/32 | 3 3/8 | 3 3/8 | 3 3/8 | 3 7/16 | 6.00 | 2.50 | - |
| France | 3 5/32 | 3 3/8 | 3 3/8 | 3 7/16 | 3 15/32 | 3.10 | - | 4.75 |
| Germany | 3 1/32 | 3¼ | 3¼ | 3 5/16 | 3¼ | 4.50 | 2.50 | 3.00 |
| Ireland | 5 5/8 | 5 21/32 | 6¼ | 5 21/32 | 5⅞ | - | - | 6.25 |
| Italy | 7 9/32 | 7 1/16 | 7 3/16 | 7 7/32 | 7 3/16 | 8.25 | 6.75 | 7.45 |
| Netherlands | 3 1/32 | 3 1/8 | 3 3/16 | 3 3/16 | 3¼ | - | 3.00 | 3.30 |
| Switzerland | 1⅝ | 1 13/16 | 1 7/16 | 1 15/32 | 1 9/16 | - | 1.00 | - |
| US | 5 9/32 | 5⅜ | 5 7/16 | 5 19/32 | 5 13/16 | - | 5.00 | - |
| Japan | 15/32 | ⅝ | ⅝ | ⅝ | ½ | - | 0.50 | - |
| ■ **$ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | 5 7/16 | 5 9/16 | 5¾ | 6 1/16 | - | - | - |
| US Dollar CDs | - | 5.18 | 5.25 | 5.35 | 5.61 | - | - | - |
| ECU Linked Ds | - | 4 1/8 | 4 1/8 | 4 3/16 | 4 5/16 | - | - | - |
| SDR Linked Ds | - | 3 3/8 | 3⅜ | 3 7/16 | 3 9/16 | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Mar 17 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3¼ - 3 | 3 7/16 - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ |
| Danish Krone | 3 11/32 - 3 3/32 | 3 9/16 - 3 13/32 | 3⅝ - 3½ | 3 11/16 - 3 9/16 | 3 11/16 - 3 21/32 | 4 - 3 27/32 |
| German Mark | 3⅛ - 3 | 3 5/32 - 3 1/16 | 3 3/16 - 3 1/16 | 3 5/16 - 3 3/16 | 3 11/32 - 3 7/32 | 3⅜ - 3¼ |
| Dutch Guilder | 3⅛ - 3 1/16 | 3⅛ - 3 | 3⅛ - 3 | 3 7/32 - 3 3/32 | 3 9/32 - 3 5/32 | 3⅜ - 3¼ |
| French Franc | 3¼ - 3⅛ | 3 9/32 - 3 5/32 | 3 11/32 - 3 7/32 | 3⅜ - 3¼ | 3 7/16 - 3 11/32 | 3⅝ - 3 15/32 |
| Portuguese Esc. | 6 5/32 - 6 1/32 | 6¼ - 6 3/32 | 6¼ - 6 3/32 | 6¼ - 6⅛ | 6⅛ - 6 1/32 | 6 1/16 - 6 |
| Spanish Peseta | 5⅞ - 5¾ | 5 27/32 - 5¾ | 5 13/16 - 5 11/16 | 5⅞ - 5¾ | 5 27/32 - 5 23/32 | 5 31/32 - 5 13/16 |
| Sterling | 6 - 5⅞ | 6 - 5 15/16 | 6 1/32 - 5 31/32 | 6 5/32 - 6⅛ | 6⅜ - 6 5/16 | 6 11/16 - 6 19/32 |
| Swiss Franc | 2 - 1½ | 1⅞ - 1⅝ | 1 15/32 - 1 11/32 | 1 13/32 - 1 11/32 | 1 15/32 - 1 13/32 | 1 11/16 - 1 9/16 |
| Canadian Dollar | 3 3/16 - 3 | 3 1/16 - 2⅞ | 3 1/16 - 2 15/16 | 3 5/16 - 3 3/16 | 3½ - 3¼ | 3⅞ - 3⅝ |
| US Dollar | 5½ - 5⅜ | 5⅜ - 5¼ | 5½ - 5⅜ | 5⅝ - 5 17/32 | 5 27/32 - 5⅝ | 6 1/32 - 6 |
| Italian Lira | 7 13/16 - 6 25/32 | 7½ - 7 13/32 | 7 13/16 - 7⅜ | 7 13/16 - 7⅜ | 7 13/16 - 7 7/16 | 7 9/16 - 7 7/16 |
| Japanese Yen | 17/32 - ½ | 17/32 - ½ | 9/16 - 7/16 | 19/32 - 9/16 | 21/32 - 19/32 | 11/16 - 9/16 |
| Asian $Sing | 3¾ - 3⅝ | 3⅜ - 3¼ | 3 7/16 - 3 5/16 | 3 7/16 - 3 5/16 | 3⅜ - 3¼ | 3½ - 3⅜ |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.64 | 96.64 | - | 96.64 | 96.63 | 6,210 | 36,304 |
| Jun | 96.56 | 96.52 | -0.04 | 96.58 | 96.52 | 29,668 | 68,110 |
| Sep | 96.47 | 96.42 | -0.04 | 96.49 | 96.42 | 7,738 | 43,316 |

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.73 | 96.73 | -0.01 | 96.74 | 96.73 | 8457 | 157135 |
| Jun | 96.74 | 96.67 | -0.06 | 96.74 | 96.66 | 52155 | 207453 |
| Sep | 96.64 | 96.55 | -0.08 | 96.65 | 96.54 | 40886 | 180680 |
| Dec | 96.47 | 96.37 | -0.10 | 96.49 | 96.36 | 32346 | 184364 |

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.72 | 96.71 | - | 96.72 | 96.72 | 265 | 18572 |
| Apr | 96.76 | 96.76 | - | 96.76 | 96.76 | 25 | 4967 |
| May | 96.76 | 96.76 | - | 96.76 | 96.76 | 125 | 4097 |
| Jun | 96.76 | 96.76 | -0.01 | 96.76 | 96.76 | 25 | 510 |

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 92.62 | 92.54 | -0.06 | 92.62 | 92.53 | 9474 | 49936 |
| Jun | 92.98 | 92.82 | -0.16 | 92.98 | 92.78 | 38797 | 111367 |
| Sep | 93.19 | 93.03 | -0.18 | 93.19 | 92.97 | 17873 | 48802 |
| Dec | 93.25 | 93.10 | -0.18 | 93.25 | 93.08 | 7836 | 35226 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 98.15 | 98.13 | -0.02 | 98.15 | 98.13 | 547 | 26252 |
| Jun | 98.23 | 98.15 | -0.08 | 98.24 | 98.15 | 9264 | 39564 |
| Sep | 98.18 | 98.11 | -0.09 | 98.18 | 98.11 | 3025 | 20508 |
| Dec | 98.09 | 98.02 | -0.10 | 98.10 | 98.02 | 1257 | 13898 |

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 99.40 | 99.40 | -0.02 | 99.40 | 99.40 | 400 | na |
| Sep | | 99.31 | -0.01 | | | 0 | na |
| Dec | | 99.18 | -0.02 | | | 0 | na |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.78 | 95.75 | - | 95.78 | 95.74 | 124 | 7238 |
| Jun | 95.74 | 95.68 | -0.06 | 95.74 | 95.68 | 2186 | 9407 |
| Sep | 95.70 | 95.63 | -0.07 | 95.70 | 95.63 | 526 | 5065 |
| Dec | 95.64 | 95.53 | -0.11 | 95.64 | 95.54 | 339 | 4595 |

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | PUTS Mar | PUTS Jun | PUTS Sep |
|---|---|---|---|---|---|---|
| 9250 | 0.04 | 0.47 | 0.75 | 0 | 0.15 | 0.22 |
| 9275 | 0 | 0.31 | 0.58 | 0.21 | 0.24 | 0.30 |
| 9300 | 0 | 0.19 | 0.43 | 0.46 | 0.37 | 0.40 |

Est. vol. total, Calls 22181 Puts 3947. Previous day's open int., Calls 196538 Puts 98867

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Mar 17 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.51 | 16.35 | 4.849 | 1.842 | 4858 | 5.456 | 19.65 | 488.0 | 411.9 | 22.18 | 4.184 | 1.807 | 3.931 | 2.868 | 354.8 | 2.503 |
| Denmark | (DKr) | 54.03 | 10 | 8.837 | 2.620 | 0.995 | 2625 | 2.948 | 10.62 | 263.7 | 222.8 | 11.99 | 2.261 | 0.977 | 2.124 | 1.550 | 191.7 | 1.353 |
| France | (FFr) | 61.14 | 11.32 | 10 | 2.965 | 1.126 | 2970 | 3.336 | 12.01 | 298.4 | 251.9 | 13.57 | 2.558 | 1.105 | 2.404 | 1.754 | 216.9 | 1.531 |
| Germany | (DM) | 20.62 | 3.817 | 3.373 | 1 | 0.380 | 1002 | 1.125 | 4.051 | 100.6 | 84.94 | 4.577 | 0.863 | 0.373 | 0.811 | 0.592 | 73.18 | 0.516 |
| Ireland | (I£) | 54.30 | 10.05 | 8.880 | 2.633 | 1 | 2638 | 2.963 | 10.67 | 265.0 | 223.7 | 12.05 | 2.272 | 0.981 | 2.134 | 1.557 | 192.6 | 1.359 |
| Italy | (L) | 2.058 | 0.381 | 0.337 | 0.100 | 0.038 | 100. | 0.112 | 0.404 | 10.04 | 8.478 | 0.457 | 0.086 | 0.037 | 0.081 | 0.059 | 7.303 | 0.052 |
| Netherlands | (Fl) | 18.33 | 3.392 | 2.997 | 0.888 | 0.338 | 890.4 | 1 | 3.601 | 89.43 | 75.49 | 4.068 | 0.767 | 0.331 | 0.720 | 0.526 | 65.02 | 0.459 |
| Norway | (NKr) | 50.90 | 9.420 | 8.325 | 2.468 | 0.937 | 2473 | 2.777 | 10 | 248.4 | 209.7 | 11.30 | 2.130 | 0.920 | 2.001 | 1.460 | 180.6 | 1.274 |
| Portugal | (Es) | 20.49 | 3.793 | 3.351 | 0.994 | 0.377 | 995.6 | 1.118 | 4.026 | 100. | 84.41 | 4.548 | 0.857 | 0.370 | 0.806 | 0.588 | 72.70 | 0.513 |
| Spain | (Pta) | 24.28 | 4.493 | 3.971 | 1.177 | 0.447 | 1176 | 1.325 | 4.770 | 118.5 | 100. | 5.388 | 1.018 | 0.439 | 0.954 | 0.696 | 86.13 | 0.608 |
| Sweden | (SKr) | 45.06 | 8.339 | 7.369 | 2.185 | 0.830 | 2189 | 2.458 | 8.852 | 219.9 | 185.6 | 10 | 1.885 | 0.814 | 1.771 | 1.292 | 159.9 | 1.128 |
| Switzerland | (SFr) | 23.90 | 4.423 | 3.909 | 1.159 | 0.440 | 1161 | 1.304 | 4.695 | 118.8 | 98.44 | 5.305 | 1 | 0.432 | 0.940 | 0.686 | 64.79 | 0.598 |
| UK | (£) | 55.33 | 10.24 | 9.049 | 2.683 | 1.019 | 2688 | 3.018 | 10.87 | 270.0 | 227.9 | 12.28 | 2.315 | 1 | 2.175 | 1.587 | 196.3 | 1.385 |
| Canada | (C$) | 25.44 | 4.708 | 4.160 | 1.234 | 0.469 | 1236 | 1.388 | 4.998 | 124.1 | 104.8 | 5.646 | 1.064 | 0.460 | 1 | 0.730 | 90.25 | 0.637 |
| US | ($) | 34.86 | 6.452 | 5.702 | 1.691 | 0.642 | 1694 | 1.902 | 6.849 | 170.1 | 143.6 | 7.738 | 1.459 | 0.630 | 1.371 | 1 | 123.7 | 0.873 |
| Japan | (Y) | 28.19 | 5.217 | 4.610 | 1.367 | 0.519 | 1369 | 1.538 | 5.537 | 137.5 | 116.1 | 6.256 | 1.176 | 0.509 | 1.108 | 0.808 | 100. | 0.706 |
| Ecu | | 39.95 | 7.394 | 6.534 | 1.937 | 0.736 | 1941 | 2.180 | 7.848 | 194.9 | 164.5 | 8.866 | 1.671 | 0.722 | 1.570 | 1.146 | 141.7 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.5918 | 0.5933 | +0.0029 | 0.5933 | 0.5919 | 8,175 | 46,465 |
| Jun | 0.5935 | 0.5966 | +0.0028 | 0.5968 | 0.5926 | 31,446 | 85,063 |
| Sep | 0.6001 | 0.6001 | +0.0025 | 0.6001 | 0.6001 | 173 | 2,426 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.6877 | 0.6882 | +0.0015 | 0.6893 | 0.6864 | 3,586 | 17,353 |
| Jun | 0.6927 | 0.6944 | +0.0014 | 0.6957 | 0.6910 | 19,531 | 39,071 |
| Sep | - | 0.7012 | +0.0014 | 0.7018 | - | 45 | 1,928 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.8080 | 0.8098 | -0.0006 | 0.8104 | 0.8076 | 8,497 | 30,380 |
| Jun | 0.8201 | 0.8202 | -0.0009 | 0.8218 | 0.8182 | 28,963 | 60,880 |
| Sep | - | 0.8322 | - | - | - | 271 | 772 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1.5970 | 1.5818 | -0.0094 | 1.5970 | 1.5898 | 3,576 | 23,746 |
| Jun | 1.5994 | 1.5892 | -0.0096 | 1.5998 | 1.5862 | 11,495 | 34,517 |
| Sep | 1.5930 | 1.5880 | -0.0084 | 1.5930 | 1.5860 | 5 | 1,254 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Mar 17 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 6 - 5½ | 6 - 5⅞ | 6 1/16 - 5 15/16 | 6 3/16 - 6 1/16 | 6 7/16 - 6 5/16 | 6¾ - 6⅝ |
| Sterling CDs | - | - | 6 1/32 - 5 31/32 | 6⅛ - 6 1/16 | 6 13/32 - 6 11/32 | 6⅝ - 6 9/16 |
| Treasury Bills | - | - | 5⅞ - 5¾ | 6 - 5 15/16 | - | - |
| Bank Bills | - | - | 5 15/16 - 5⅞ | 6 1/32 - 5 31/32 | 6 5/16 - 6 1/4 | - |
| Local authority deps. | 5 13/16 - 5 11/16 | 5 15/16 - 5 13/16 | 6 1/16 - 5 15/16 | 6 3/16 - 6 1/16 | 6 13/32 - 6 5/16 | 6 23/32 - 6 19/32 |
| Discount Market deps | 5⅞ - 5¾ | 5⅞ - 5¾ | - | - | - | - |

UK clearing bank base lending rate 6 per cent from October 30, 1996

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | 5½ | 5 | 5 | 4¾ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Mar 14, 5.8452pc. ECGD fixed rate Stlg. Export Finance. Make up day Feb 28, 1997. Agreed rate for period Mar 26, 1997 to Apr 21, 1997, Scheme III 7.53pc. Reference rate for period Feb 1, 1997 to Feb 28, 1997, Schemes IV & V 6.286pc. Finance House Base Rate 6½pc from Mar 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 93.75 | 93.74 | -0.01 | 93.75 | 93.73 | 7775 | 60221 |
| Jun | 93.56 | 93.51 | -0.06 | 93.58 | 93.50 | 28217 | 135561 |
| Sep | 93.38 | 93.29 | -0.08 | 93.38 | 93.28 | 27356 | 89129 |
| Dec | 93.20 | 93.10 | -0.09 | 93.20 | 93.09 | 25643 | 70588 |
| Mar | 93.05 | 92.96 | -0.09 | 93.05 | 92.95 | 6106 | 46489 |

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | PUTS Mar | PUTS Jun | PUTS Sep |
|---|---|---|---|---|---|---|
| 9350 | 0.24 | 0.13 | 0.12 | 0 | 0.12 | 0.33 |
| 9375 | 0.01 | 0.04 | 0.05 | 0.02 | 0.28 | 0.51 |
| 9400 | 0 | 0.01 | 0.02 | 0.26 | 0.50 | 0.73 |

Est. vol. total, Calls 5101 Puts 7960. Previous day's open int., Calls 226684 Puts 193404

### EMS EUROPEAN CURRENCY UNIT RATES

| Mar 17 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.798709 | 0.741519 | +0.006186 | -7.18 | 10.25 | 48 |
| Portugal | 197.398 | 195.893 | -0.213 | -0.76 | 3.14 | 5 |
| Finland | 5.85424 | 5.84055 | +0.01524 | -0.23 | 2.60 | 2 |
| Netherlands | 2.16979 | 2.18960 | -0.00495 | 0.92 | 1.42 | -7 |
| Spain | 163.826 | 165.363 | -0.295 | 0.94 | 1.40 | -7 |
| Germany | 1.92573 | 1.94601 | -0.00476 | 1.05 | 1.29 | -10 |
| Belgium | 39.7191 | 40.1466 | -0.0932 | 1.08 | 1.27 | -8 |
| Austria | 13.5485 | 13.6956 | -0.0336 | 1.09 | 1.26 | -8 |
| Denmark | 7.34555 | 7.43511 | -0.01031 | 1.22 | 1.12 | -8 |
| France | 6.45863 | 6.56745 | -0.01658 | 1.69 | 0.66 | -14 |
| Italy | 1906.48 | 1951.40 | +6.92 | 2.36 | 0.00 | -17 |
| NON ERM MEMBERS | | | | | | |
| Greece | 295.269 | 307.316 | +0.398 | 4.08 | -1.68 | - |
| UK | 0.793103 | 0.724432 | +0.008413 | -8.66 | 12.06 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Mar | CALLS Apr | CALLS May | PUTS Mar | PUTS Apr | PUTS May |
|---|---|---|---|---|---|---|
| 1.590 | 1.23 | 2.20 | 3.03 | 0.01 | 0.87 | 1.93 |
| 1.600 | 0.29 | 1.52 | 2.51 | 0.02 | 1.41 | 2.39 |
| 1.610 | - | 1.11 | 2.06 | 0.65 | 1.93 | 2.88 |

Previous day's vol., Calls 430 Puts 728. Prev. day's open int., Calls 38,225 Puts 49,003

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

| Strike Price | CALLS Mar | CALLS Apr | CALLS May | PUTS Mar | PUTS Apr | PUTS May |
|---|---|---|---|---|---|---|
| 0.585 | - | - | 1.35 | - | - | 0.58 |
| 0.590 | 0.06 | 0.69 | 1.05 | 0.01 | 0.52 | 0.77 |
| 0.595 | - | 0.48 | 0.90 | 0.41 | 0.78 | 1.02 |

Previous day's vol., Calls 735 Puts 12,290. Prev. day's open int., Calls 95,358 Puts 40,033

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.42 | 94.40 | -0.02 | 94.42 | 94.40 | 80,845 | 308,126 |
| Jun | 94.18 | 94.15 | -0.02 | 94.17 | 94.14 | 139,482 | 453,951 |
| Sep | 93.94 | 93.91 | -0.03 | 93.94 | 93.90 | 143,354 | 347,492 |

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.84 | 94.84 | -0.02 | 94.85 | 94.84 | 719 | 2,387 |
| Jun | 94.71 | 94.71 | -0.02 | 94.71 | 94.71 | 490 | 4,884 |
| Sep | 94.48 | 94.49 | -0.01 | 94.49 | 94.47 | 178 | 2,311 |

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

| Strike Price | CALLS Mar | CALLS Apr | CALLS May | CALLS Jun | PUTS Mar | PUTS Apr | PUTS May | PUTS Jun |
|---|---|---|---|---|---|---|---|---|
| 9650 | 0.23 | 0.18 | 0.18 | 0.20 | 0 | 0.01 | 0.02 | 0.03 |
| 9675 | 0 | 0 | 0.02 | 0.03 | 0.02 | 0.08 | 0.10 | 0.11 |
| 9700 | 0 | 0 | 0 | 0.01 | 0.27 | 0.33 | 0.33 | 0.34 |

Est. vol. total, Calls 18444 Puts 18482. Previous day's open int., Calls 535715 Puts 318857

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | PUTS Mar | PUTS Jun | PUTS Sep |
|---|---|---|---|---|---|---|
| 9825 | 0 | 0.08 | 0.14 | 0.12 | 0.18 | 0.28 |
| 9850 | 0 | 0.02 | 0.05 | 0.37 | 0.37 | 0.44 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5890 Puts 4245

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.00 | Duncan Lawrie | 6.00 | Royal Bk of Scotland | 6.00 |
| Allied Irish Bank (GB) | 6.00 | Exeter Bank Limited | 7.00 | ●Singer & Friedlander | 6.00 |
| ●Henry Ansbacher | 6.00 | Financial & Gen Bank | 7.00 | ●Smith & Williamson Secs | 6.00 |
| Bank of Baroda | 6.00 | ●Robert Fleming & Co | 6.00 | Scottish Widows Bank | 6.00 |
| Banco Bilbao Vizcaya | 6.00 | ●Guinness Mahon | 6.00 | TSB | 6.00 |
| Bank of Cyprus | 6.00 | Habib Bank AG Zurich | 6.00 | United Bank of Kuwait | 6.00 |
| Bank of Ireland | 6.00 | ●Hambros Bank | 6.00 | Unity Trust Bank Plc | 6.00 |
| Bank of India | 6.00 | Heritable & Gen Inv Bk | 6.00 | Western Trust | 6.00 |
| Bank of Scotland | 6.00 | ●Hill Samuel | 6.0 | Whiteaway Laidlaw | 6.00 |
| Barclays Bank | 6.00 | C. Hoare & Co | 6.00 | Yorkshire Bank | 6.00 |
| Brit Bk of Mid East | 6.00 | Hongkong & Shanghai | 6.00 | | |
| ●Brown Shipley & Co Ltd | 6.00 | Investec Bank (UK) Ltd | 6.00 | ● Members of London Investment Banking Association | |
| Citibank NA | 6.00 | Julian Hodge Bank | 6.00 | * In administration | |
| Clydesdale Bank | 6.00 | ●Leopold Joseph & Sons | 6.00 | | |
| The Co-operative Bank | 6.00 | Lloyds Bank | 6.00 | | |
| Coutts & Co | 6.00 | Midland Bank | 6.00 | | |
| Cyprus Popular Bank | 6.00 | NatWestminster | 6.00 | | |
| | | ●Rea Brothers | 6.00 | | |

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

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## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

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## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### BERMUDA (REGULATED)(**)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

## LONDON SHARE SERVICE

### ALCOHOLIC BEVERAGES

### BANKS, RETAIL

### BREWERIES, PUBS & REST

### BUILDING & CONSTRUCTION

### BUILDING MATS. & MERCHANTS

### CHEMICALS

### CHEMICALS - Cont.

### DISTRIBUTORS

### DIVERSIFIED INDUSTRIALS

### ELECTRICITY

### ELECTRONIC & ELECTRICAL EQPT

### ENGINEERING

### ENGINEERING - Cont.



### ENGINEERING - Cont.

### ENGINEERING, VEHICLES

### EXTRACTIVE INDUSTRIES

### EXTRACTIVE INDUSTRIES - Cont.

### FOOD PRODUCERS

### GAS DISTRIBUTION

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| BG | | 188½ | -3½ | 199½ | 134 | 7,498 | 11.3 | 17.0 |
| International Energy | | 97 | — | 100 | 84½ | 91.3 | 4.8 | 11.0 |

### HEALTH CARE

### HOUSEHOLD GOODS

### INSURANCE

### INSURANCE - Cont.

### INVESTMENT TRUSTS

### INVESTMENT TRUSTS - Cont.

### INV TRUSTS SPLIT CAPITAL

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# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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## OTHER OFFSHORE FUNDS

# LONDON STOCK EXCHANGE

## Shares on the back foot as election looms

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

Confirmation that the country will go to the polls on May 1 came as no real surprise to the City, but still managed to cause ripples of uncertainty across UK equities.

The election news by itself caused no sizeable problems for share prices, but the element of political uncertainty brought considerable pressure to bear on the currency, which in turn began to cause problems for gilts.

Sterling fell by 3.7 pfennigs against the D-Mark and by more than a cent against the dollar yesterday, with the trade-wighted index down by around 1 per cent.

Dealers said the gilt market's solid showing on the back on a strong UK currency since last autumn was being undermined by political concerns. Gilts were down around a full point over the session, burdened, later in the day, by a tired opening by US Treasury bonds.

Marketmakers said a weak start by US shares pulled the rug from under the UK market. The Dow Jones Industrial Average was down by 70 points an hour after London closed, depressed by comments by Mr Robert Parry, president of the Federal Reserve Bank of San Francisco, who warned of the risk of accelerating inflation in the US.

Wall Street sentiment continues to be plagued by concerns about the course of US interest rates. Many observers expect the Federal Reserve to nudge interest rates higher in the near future, possibly as soon as the next meeting of the Fed's Open Market Committee, scheduled for March 25.

At the close of a difficult trading session, the FTSE 100 was left nursing a 51.0 decline at 4,373.3, although that fall was exaggerated by no less than 12 FTSE 100 constituents being quoted ex-dividend, accounting for 22 points.

The market's second-liners and smaller capitalised stocks resisted the weakness affecting the leaders for much of the day, but the former ultimately succumbed to the overall trend, with the FTSE 250 index settling 15.8 down at 4,692.0.

The FTSE SmallCap gave another display of its resilience. It resisted the pressures from the wider market until 10 minutes before the close when it slipped into the red. But then it stabilised and finished the day unchanged at 2,365.2.

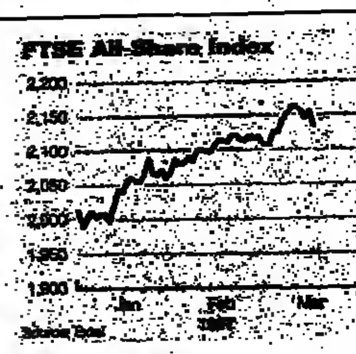
The head of sales trading at one big London securities house said London's political worries were being worsened by Wall Street: "The problem for the market is that a long, bitterly fought campaign will see the Conservatives rally and maybe get back to leave Labour with only a narrow majority or, worst of all, a hung parliament."

Other potential problems for London were being highlighted. The FTSE 100 and 250 index and options expiry, traditionally a frantic time for the market, takes place on Friday.

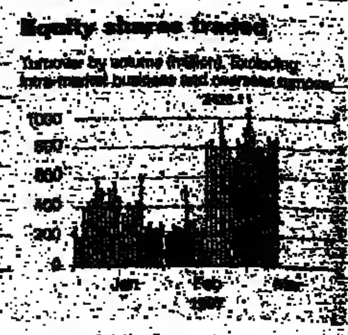
"If it coincides with a bout of prolonged weakness, then the market might be in for a very rough time," said one marketmaker.

Turnover at the 6pm count was 728.8m shares.

FTSE All-Share Index



Equity Shares Traded



### Indices and ratios

| | | | | | |
|---|---|---|---|---|---|
| FTSE 100 | 4373.3 | -51.0 | FT 30 | 2897.0 | -33.2 |
| FTSE 250 | 4692.0 | -15.8 | FTSE Non-Fins p/e | 18.62 | 18.07 |
| FTSE 350 | 2163.0 | -21.4 | FTSE100 Fut Mar | 4366.0 | -21.0 |
| FTSE All-Share | 2135.02 | -19.49 | 10 yr Gilt yield | 7.48 | 7.37 |
| FTSE All-Share yield | 3.56 | 3.53 | Long gilt/equity yld ratio | 2.09 | 2.10 |

### Best performing sectors

1. Building & Const ........ +0.8
2. Oil: Integrated ........ +0.6
3. Paper: Pckg & Print ........ +0.4
4. Support Services ........ +0.2
5. *Health Care* ........ +0.1

### Worst performing sectors

1. Tobacco ........ -4.1
2. Extractive Inds ........ -2.3
3. Retailers: Food ........ -2.1
4. Pharmaceuticals ........ -2.0
5. Insurance ........ -2.0

## US fine fear for GenAcc

By Peter John and Lisa Wood

Early gains for General Accident slipped eway as it emerged that the insurer faces the possible loss of one its lucrative US franchises.

New Jersey's Banking and Insurance commissioner has notified GenAcc and its subsidiary Camden Fire Insurance that she plans to fine the firms for car insurance violations and has said the fine could be as high as $1m.

The order also warns that the commissioner may suspend the firms' "certificate of authority to transact any insurance business in the state".

Mr David Hudson, insurance analyst with Crédit Lyonnais Laing, said New Jersey represented around 10 per cent of US business and some 3 per cent of total group business.

However, it was also felt that there was an element of sabre rattling in the New Jersey order ahead of state elections. GenAcc, which has until March 26 to make its case, said: "We are waiting for the due process of law and consultation to take place in new Jersey."

The shares, which also faced pressure from broad market weakness in the UK and US, were up 2 in early dealing, but ended the day 8 lower at 839¼p.

Abbey National fell 21½ to 762½p as uncertainty about its interest in Scottish Amicable crept into the market.

The high-street bank had been tipped to secure the mutually owned insurance group after last Friday's bid deadline. And, while it has revealed it was in the running, along with Prudential and Australian Mutual Provident, the final proposals have not been made public. Investors must wait until the end of the month before Scottish makes e decision. Pru shares fell 6 to 590p.

Argos initially fell after announcing at its full-year results, in line with expectations, that it would be difficult to improve on last year'e first half. However, the meil order group rebounded, closing a net 9½ up at 648¼ after the group said that this was not e profits warning or indicative of the likely outcome for the full year. The market was reminded that last year's first half was exceptionally strong.

Alexon hardened 15 to 203½p after what one analyst described as a fantastic set of results which took the market by surprise.

The analyst said that the women's clothing retailer was a recovery story with new buying teams doing a good job and taking market share from the competition. Most analysts upgraded their forecasts.

Dixons eased 11¼ to 498p with the market still concerned about revenue growth in the electrical business. Kingfisher weakened 13¼ to 684p ahead of its results and there was profit-taking in Next which fell 18¼ to 587½p.

House of Fraser hardened 1½ to 162½p, probably due to a recent series of presentations to institutions at its refurbished Leeds store.

The housebuilding sector was given e boost on results from Wilson Bowden and Tay Homes.

Wilson Bowden hardened 20 to 542½p after interim results which were higher than expected. Tay Homes, which said that the market continued to be strong, rose 11 to 153½p.

Builders which benefited from the results included Wilson (Connolly), which rose 6½ to 160p ahead of figures expected this morning. Beazer Group, which hardened 4½ to 190½p and Bryant Group which rose 2 to 139p.

A number of building material groups also hardened including RMC Group, which would benefit from the strengthening D-Mark. It rose 13¼ to 995¼p.

Lonrho shares were off 12 per cent at one stage after the conglomerate issued a profit warning. The shares ended 12¼ lower at 145p as the conglomerate said profits would be hit by the strength of sterling, poor precious metal prices, lower profits at Ashanti and moderate results in its African businesses.

The big oil companies responded to a stronger dollar and some benign views on the outlook for underlying crude prices. Shell Transport and BP both ignored the weak overall market trend with the latter receiving help from First Albany, a New York securities house. Dealers said it raised BP to e "buy" from "underperform".

The securities house said the end-of-winter drop in oil prices appeared to be over and colder temperatures were eating up stocks. BP lifted 6½ to 703p and Shell 3 to £10.83.

Monument Oil & Gas gained 1¼ to 84p with HSBC James Capel said to have turned buyer of the stock following well-received figures.

Cable & Wireless improved 5¼ to 511½p after a weekend press report said Deutsche Telekom was negotiating to buy e stake in the company. The report said the German telecommunications group wanted to buy the 14 per cent stake held by Bell Cablemedia. It said Goldman Sachs was advising Deutsche Telekom on a possible £750m deal. There was also some heavy options-related business in the stock.

Media group Pearson fell 17½ to 756½p after posting an 8 per cent rise in operating profit to £281m. The figures were in line with expectations, but there was some disappointment that a more radical restructuring of the group was not announced.

A number of food retailers were among the worst performers, including Safeway which fell 13¼ to 348½p and Tesco which eased 9 to 337p. One analyst said there was a fair bit of stock around with little buying interest.

Manganese Bronze Holdings climbed 28¼ to 483½p after interim results in line with expectations

Specialty chemicals and minerals group English China Clays failed to excite with its figures. The group said it expected to return to profitability in the first half of 1997, but the shares ended the day 8 lower at 207½p.

Yorkshire Group jumped 22¼ to 211½p after the chemicals group announced a restructuring with its figures. Astec (BSR) improved 6 to 148p in the wake of encouraging figures.

Airtours hardened 11 to £10.09½p on the news that it and Carnival Corporation, its partner, are to acquire Costa Crociere, the world's fifth largest cruise operator, for £168m.

*Commercial Union* was e strong performer in early dealing prompting more tired takeover talk. It appeared, however, that one trader had received an order for 250,000 shares at around 719p and, having completed it, found it difficult to recover the stock. The shares were up 12¼, but, by the afternoon, the short position was filled and CU closed 2 off at 706½p.

### FT 30 INDEX

| | Mar 17 | Mar 14 | Mar 13 | Mar 12 | Mar 11 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 2897.0 | 2930.2 | 2907.3 | 2922.6 | 2927.9 | 2743.8 | 2931.4 | 2669.8 |
| Ord. div. yield | 3.90 | 3.85 | 3.88 | 3.85 | 3.84 | 3.96 | 4.22 | 3.78 |
| P/E ratio net | 17.83 | 18.07 | 17.93 | 18.04 | 18.09 | 16.49 | 18.09 | 15.80 |
| P/E ratio nil | 17.61 | 17.85 | 17.71 | 17.82 | 17.87 | 18.17 | 17.87 | 15.71 |

FT 30 since compilation: high 2931.4 10/03/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2916.6 | 2909.9 | 2901.5 | 2906.6 | 2903.4 | 2901.0 | 2898.8 | 2897.3 | 2898.1 | 2916.8 | 2895.7 |

| | Mar 17 | Mar 14 | Mar 13 | Mar 12 | Mar 11 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 57,730 | 54,977 | 59,471 | 54,138 | 58,920 | 37,132 |
| Equity turnover (£m)† | - | NA | 2592.8 | 3014.9 | 2512.2 | 1303.2 |
| Equity bargains† | - | NA | 51,267 | 54,308 | 51,558 | 42,070 |
| Shares traded (mil)† | - | NA | 867.1 | 865.9 | 850.8 | 478.6 |

†Excluding intra-market and overseas turnover but including Crest turnover.

| | Mar 17 | Mar 14 | Mar 13 | Mar 12 | Mar 11 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FTSE AIM | 1127.6 | 1127.5 | 1133.9 | 1135.5 | 1135.5 | 974.9 | 1140.4 | 965.7 |

 *For 1996/97.

■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 618 | Total Highs | 117 | Total contracts | 35,511 |
| Total Falls | 581 | Total Lows | 42 | Calls | 17,667 |
| Same | 1,241 | | | Puts | 17,844 |

Mar 17 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 4401.0 | 4366.0 | -38.0 | 4407.0 | 4358.0 | 17622 | 38063 |
| Jun | 4425.0 | 4387.5 | -37.0 | 4430.0 | 4378.5 | 7375 | 33601 |
| Sep | 4415.5 | 4411.5 | -38.5 | 4415.5 | 4410.5 | 20 | 2385 |

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 4710.0 | 4700.0 | -22.0 | 4710.0 | 4700.0 | 1420 | 4497 |
| Jun | 4733.0 | 4723.0 | -22.0 | 4733.0 | 4723.0 | 1400 | 1727 |

■ FTSE 100 INDEX OPTION (LIFFE) (*4373) £10 per full index point

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

Calls 1,752 Puts 2,832 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m) | 1996/97 High | Low | Stock |
|---|---|---|---|---|---|
| §125 | F.P. | 21.1 | 148½ | 121½ | †Acrtech |
| §100 | F.P. | 25.0 | 100 | 100 | Aurora Inv Trust |
| §50 | F.P. | 24.5 | 84 | 47½ | †Birmingham City |
| - | F.P. | 3.04 | 17½ | 13½ | †Cambridge Mineral |
| 75½ | F.P. | 2,889 | 77½ | 55 | Centrica |
| §250 | F.P. | 94.5 | 335 | 305 | Core Group |
| §200 | F.P. | 12.2 | 270 | 240 | †Dobbies Garden |
| 325 | F.P. | 2,808 | 570½ | 500½ | Energy Group |
| §160 | F.P. | 24.5 | 188½ | 178½ | Glovecd Cah Sys |
| §28 | F.P. | 5.90 | 31½ | 28½ | Howle |
| § | F.P. | - | 88½ | 88½ | M & G High Inc |
| § | F.P. | - | 10 | 9 | M & G High Cap |
| § | F.P. | - | 100½ | 99½ | M & G High Pckg |
| § | F.P. | - | 78½ | 77½ | M & G High Unit |
| §140 | F.P. | 19.6 | 171 | 150½ | Nord Anglo Ed |
| § | F.P. | 66.1 | 292½ | 220 | Pad Group |
| §100 | F.P. | 30.0 | 100 | 99 | River&Merc 1st UK |
| § | F.P. | 10.8 | 6 | 3½ | †Screen |
| § | F.P. | 28.4 | 128½ | 95½ | Technoplant |
| §110 | F.P. | 119.1 | 124½ | 119½ | Usher Trowbridge |
| §40 | F.P. | 5.83 | 43½ | 40½ | †VFG |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## FT GOLD MINES INDEX

| | Mar 14 | % chg on day | Mar 13 | Year ago | Gross div yield % | P/E ratio | 52 week High | Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (32) | 1792.69 | -1.9 | 1810.38 | 2273.68 | [illegible] | [illegible] | [illegible] | [illegible] |
| ■ Regional Indices | | | | | | | | |
| Africa (14) | 2089.54 | -1.9 | 2130.09 | 3149.76 | 4.28 | 31.26 | 3252.18 | 1918.45 |
| Australasia (6) | 2064.61 | +0.1 | 2063.45 | 2576.62 | 2.45 | 22.00 | 2644.14 | 1941.72 |
| North America (12) | 1660.05 | -0.8 | 1653.35 | 1978.00 | 0.53 | 84.25 | 2134.81 | 1550.58 |

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

## FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | Mar 17 | Day's chge% | Mar 14 | Mar 13 | Mar 12 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 4373.3 | -1.2 | 4424.3 | 4397.7 | 4422.5 | 3669.6 | 3.66 | 2.10 | 16.17 | 44.08 | 1848.15 |
| FTSE 250 | 4692.0 | -0.3 | 4707.8 | 4720.2 | 4725.1 | 4244.5 | 3.36 | 1.48 | 25.07 | 19.49 | 1931.32 |
| FTSE 250 ex IT | 4734.9 | -0.4 | 4751.7 | 4768.8 | 4766.9 | 4275.9 | 3.45 | 1.51 | 24.08 | 19.93 | 1953.77 |
| FTSE 350 | 2163.0 | -1.0 | 2184.4 | 2175.2 | 2185.4 | 1844.2 | 3.62 | 1.98 | 17.49 | 18.09 | 1865.20 |
| FTSE 350 Higher Yield | 2086.8 | -1.3 | 2114.8 | 2101.6 | 2112.2 | 1802.2 | 4.72 | 1.86 | 14.28 | 22.00 | 1520.81 |
| FTSE 350 Lower Yield | 2245.9 | -0.6 | 2260.3 | 2255.4 | 2265.1 | 1893.5 | 2.52 | 2.20 | 22.55 | 15.97 | 1589.00 |
| FTSE SmallCap | 2365.16 | | 2365.20 | 2374.09 | 2374.20 | 2070.31 | 2.80 | 1.67 | 25.85 | 10.10 | 1984.72 |
| FTSE SmallCap ex IT | 2373.86 | | 2373.73 | 2382.36 | 2380.44 | 2057.31 | 3.05 | 1.75 | 23.41 | 10.28 | 2006.70 |
| FTSE All-Share | 2135.02 | -0.9 | 2154.51 | 2146.80 | 2156.05 | 1823.79 | 3.56 | 1.96 | 17.94 | 18.08 | 1868.36 |

■ FTSE Actuaries Industry Sectors

| | Mar 17 | Day's chge% | Mar 14 | Mar 13 | Mar 12 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(20) | 4121.66 | +0.1 | 4118.57 | 4094.59 | 4115.93 | 3331.89 | 3.62 | 2.12 | 16.28 | 25.93 | 1818.20 |
| 12 Extractive Industries(5) | 4123.62 | -2.3 | 4220.33 | 4176.05 | 4157.20 | 4188.46 | 3.79 | 2.38 | 13.82 | 86.65 | 1254.81 |
| 15 Oil, Integrated(3) | 4225.82 | +0.6 | 4202.16 | 4188.94 | 4226.03 | 3369.02 | 3.85 | 2.08 | 15.61 | 20.17 | 1912.50 |
| 16 Oil Exploration & Prod(12) | 3646.52 | -0.9 | 3681.19 | 3588.39 | 3556.29 | 2372.76 | 1.56 | 2.13 | 37.64 | 2.67 | 2212.40 |
| 20 GEN INDUSTRIALS(272) | 2049.65 | -0.7 | 2063.14 | 2058.73 | 2063.76 | 2082.59 | 3.86 | 1.89 | 17.09 | 12.35 | 1153.78 |
| 21 Building & Construction(35) | 1374.59 | +0.6 | 1366.45 | 1367.96 | 1371.16 | 1129.45 | 3.01 | 1.82 | 22.84 | 3.23 | 1176.58 |
| 22 Building Matls & Merchs(32) | 1915.80 | -0.1 | 1918.38 | 1912.86 | 1917.04 | 1875.45 | 4.15 | 2.55 | 11.82 | 1.15 | 990.70 |
| 23 Chemicals(28) | 2339.03 | -1.0 | 2362.77 | 2378.07 | 2378.66 | 2554.37 | 4.47 | 1.56 | 17.95 | 28.01 | 1149.14 |
| 24 Diversified Industrials(16) | 1551.57 | -1.6 | 1576.11 | 1556.20 | 1576.24 | 1807.16 | 4.63 | 1.80 | 14.96 | 25.57 | 912.36 |
| 25 Electronic & Elect Equip(39) | 2288.82 | -1.1 | 2315.35 | 2282.78 | 2288.34 | 2347.82 | 3.42 | 1.51 | 24.13 | 2.20 | 1216.80 |
| 26 Engineering(70) | 2637.28 | -0.3 | 2645.89 | 2654.00 | 2651.12 | 2362.16 | 3.19 | 2.43 | 16.12 | 9.56 | 1637.83 |
| 27 Engineering, Vehicles(13) | 2897.01 | -1.9 | 2954.33 | 2943.42 | 2956.59 | 2774.58 | 3.82 | 0.19 | 80.00† | 25.91 | 1543.86 |

■ Hourly movements

■ FTSE 350 Industry baskets

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries.  "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

## TRADING VOLUME

■ Major Stocks Yesterday

## LONDON SHARE SERVICE

### INV TRUSTS SPLIT CAPITAL - Cont.

### OTHER INVESTMENT TRUSTS

### INVESTMENT COMPANIES

### LEISURE & HOTELS

### LIFE ASSURANCE

### MEDIA

### MEDIA - Cont.

### OIL EXPLORATION & PRODUCTION

### OIL, INTEGRATED

### OTHER FINANCIAL

### PAPER, PACKAGING & PRINTING

### PHARMACEUTICALS

### PROPERTY



### PROPERTY - Cont.

### RETAILERS, FOOD

### RETAILERS, GENERAL

### RETAILERS, GENERAL - Cont.

### SUPPORT SERVICES

### SUPPORT SERVICES - Cont.

### TELECOMMUNICATIONS

### TEXTILES & APPAREL

### TEXTILES & APPAREL - Cont.

### TOBACCO

### TRANSPORT

### WATER

### AIM

### AIM - Cont.

### AMERICANS

### CANADIANS

### SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £24½ | | *£31⅞ | £20¼ | 1,965 | 3.2 | ϕ |
| Barlow | | £7⅞xd | +¼ | 895 | £5¾ | 1,447 | 2.1 | 14.3 |
| Gold Flds Prop R | † | 141¾ | +1¼ | 171½ | 120 | 14.5 | 6.5 | 10.2 |
| NK Props | | 85 | | 92 | 60 | 2.61 | 14.8 | - |
| SASOL | | 845 | | 110 | 523 | 3,777 | 1.7 | - |
| SA Brews | | £19⅞ | +1¼ | £24⅞ | £13¾ | 5,761 | 1.8 | ϕ |
| Standard Bank | | £26¾ | +½ | £31¼ | 921 | 3,178 | 1.4 | 22.8 |
| Tiger Oats | | 1082 | -18 | 1150 | 770 | 1,897 | 1.8 | 20.2 |
| Tongaat-Hulett | | 775¼ | +6½ | 1125 | 675¼ | 734.3 | 2.4 | ϕ |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(A)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue
a Rights issue pending
q Earnings based on preliminary figures.
a Dividend yield excludes a special payment.
i Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
& Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
& Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
0 Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

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*4 pm close March 17*

# NEW YORK STOCK EXCHANGE PRICES

| 1996/97 High | Low | Stock | Div | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 32 | 24¼ | AAR | 0.48 | 1.9 | 21 | 510 | 26 | 25⅝ | 25⅞ | -⅛ |
| 48½ | 23 | AMP | 1.04 | 2.7 | 28 | 4150 | 38¼ | 37⅜ | 37⅞ | -⅜ |
| 97½ | 58 | AMR | | | 8 | 5724 | 86⅝ | 84⅞ | 86⅛ | +⅞ |
| 50½ | 33¼ | ASA | 1.20 | 3.4 | 23 | 386 | 36⅛ | 35½ | 35½ | -¼ |
| 60⅛ | 38⅛ | AbbtL | 1.08 | 1.8 | 24 | 16339 | 58 | 58½ | 59⅞ | +2 |
| 17½ | 12¼ | Abitibi Pr x | 0.40 | 2.6 | 8 | 270 | 16¼ | 16⅛ | 16¼ | |
| 29¼ | 13⅝ | ABM Ind | 0.40 | 2.2 | 18 | 158 | 18⅛ | 17⅞ | 18 | -⅛ |
| 23 | 16⅞ | Acptacin | | | 9 | 454 | 19½ | 18¾ | 18⅛ | -⅜ |
| 66⅛ | 37¾ | ACE Ltd | 0.72 | 1.1 | 10 | 1753 | 65 | 64⅝ | 64⅞ | +¼ |
| 18¾ | 9⅛ | ACM Gvt In x | 0.90 | 0.7 | 11 | 479 | 10½ | 10⅝ | 10¾ | -⅜ |
| 7⅞ | 6⅝ | ACM GvOpp x | 0.63 | 5.5 | | 207 | 7½ | 7⅜ | 7⅛ | -⅛ |
| 9⅞ | 6⅞ | ACM Man x | 0.90 | 0.2 | | 161 | 9⅜ | 9⅝ | 9¾ | |
| 13⅞ | 9¼ | Acme Elect | | | | 131 | 6⅝ | 6⅜ | 6⅝ | +⅛ |
| 21⅛ | 13⅞ | Acme Mills | | | 50 | 46 | 15⅞ | 15¾ | 15⅞ | +½ |
| 33¾ | 27¼ | Acordia | 0.60 | 2.4 | 18 | 79 | 32⅞ | 36½ | 32¾ | +⅛ |
| 29¼ | 12 | Acuson | | | | 1800 | 27⅞ | 28 | 28¾ | -⅞ |
| 21½ | 17⅞ | Adams Exp | 0.90 | 2.7 | 1 | 363 | 20⅝ | 20⅜ | 20⅝ | |
| 49½ | 19¼ | AdvMic | | | | 32135 | 45⅝ | 43⅞ | 45½ | +1 |
| 15 | 8⅛ | Advest Grp | | | 9 | 67 | 13⅝ | 13⅜ | 13⅜ | -⅜ |
| 28½ | 6⅛ | Advo Inc | | | 29 | 71 | 12⅝ | 12½ | 12⅝ | +⅛ |
| 73⅝ | 41⅛ | Aegon | 1.18 | 1.6 | 21 | 180 | 73⅛ | 72⅝ | 73⅛ | |
| 6¾ | 3½ | Aerflx | | | | 79 | 4 | 3¾ | 4 | +⅛ |
| 67⅝ | 40⅜ | AES Corp | | | | 20 | 63½ | 63½ | 63½ | +1⅝ |
| 93⅜ | 57⅝ | Aetna | 0.80 | 0.8 | 60 | 4760 | 91½ | 89¾ | 89⅞ | -1 |



Continued on next page

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Mar 17 / Sch)

BELGIUM/LUXEMBOURG (Mar 17 / Frs.)

CZECH REP (Mar 17 / Koruna)

DENMARK (Mar 17 / Kr.)

FINLAND (Mar 17 / Mks)

FRANCE (Mar 17 / Frs.)

GERMANY (Mar 17 / Dm.)

GREECE (Mar 17 / Drachma)

ITALY (Mar 17 / Lira)

NETHERLANDS (Mar 17 / Fls.)

NORWAY (Mar 17 / Kroner)

POLAND (Mar 17 / Zloty)

PORTUGAL (Mar 17 / Escudo)

SPAIN (Mar 17 / Pta.)

SWEDEN (Mar 17 / Kronor)

SWITZERLAND (Mar 17 / Frs.)

TURKEY (Mar 17 / Tk Lira)



## PACIFIC

JAPAN (Mar 17 / Yen)

HONG KONG (Mar 17 / H.K.$)

INDONESIA (Mar 17 / Rupiah)

MALAYSIA (Mar 17 / MYR)

NEW ZEALAND (Mar 17 / NZ $)

SINGAPORE (Mar 17 / S$)

AUSTRALIA (Mar 17 / Aust$)

SOUTH KOREA (Mar 17 / Won)

TAIWAN (Mar 17 / TW $)

THAILAND (Mar 17 / Baht)

## AFRICA

SOUTH AFRICA (Mar 17 / Rand)

## NORTH AMERICA

CANADA

TORONTO (Mar 17 / Can $)

4 pm close

MONTREAL (Mar 17 / Can $)

4 pm close

Prices supplied by Telekurs, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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## INDICES

## INDEX FUTURES

CAC-40

DAX

OMX

SOFFEX

## US INDICES

| Dow Jones | Mar 14 | Mar 13 | Mar 12 | 1996/97 High | 1996/97 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 6935.46 | 6878.89 | 7039.37 | 7085.16 (11/3/97) | 5032.94 (10/1/96) | 7085.16 (11/3/97) | 41.22 (8/7/32) |
| Home Bonds | 102.76 | 102.83 | 103.19 | 105.08 (14/2/96) | 100.89 (15/7/96) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 2435.37 | 2423.97 | 2461.57 | 2461.88 (10/3/97) | 1882.71 (18/1/96) | 2461.88 (10/3/97) | 13.23 (8/7/32) |
| Utilities | 224.22 | 221.91 | 224.01 | 240.85 (22/1/97) | 204.85 (30/7/96) | 256.46 (31/8/93) | 16.53 (8/7/32) |

DJ Ind. Day's high 6995.27 (7023.38) Low 6851.19 (6852.72) (Theoretical) Day's High 6955.63 (7034.37) Low 6878.51 (6874.88) (Actual)

| Standard and Poors | Mar 14 | Mar 13 | Mar 12 | 1996/97 High | 1996/97 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 793.17 | 789.56 | 804.26 | 816.29 (18/2/97) | 598.48 (10/1/96) | 816.29 (18/2/97) | 4.40 (1/6/32) |
| Industrials¶ | 926.33 | 921.84 | 936.25 | 950.96 (18/2/97) | 702.07 (15/1/96) | 956.98 (18/2/97) | 3.52 (30/6/32) |
| Financial | 92.15 | 91.92 | 95.16 | 97.25 (10/3/97) | 58.57 (10/1/96) | 97.25 (10/3/97) | 7.13 (4/9/74) |
| NYSE Comp. | 417.70 | 415.87 | 423.54 | 427.70 (10/3/97) | 321.41 (10/1/96) | 427.70 (10/3/97) | 4.64 (25/4/42) |
| Amex Comp. | 600.47 | 598.02 | 602.04 | 617.61 (22/5/96) | 524.20 (16/7/96) | 617.61 (22/5/96) | 524.20 (16/7/96) |
| NASDAQ Cmp | 1292.97 | 1293.28 | 1304.13 | 1388.06 (22/1/97) | 988.57 (15/1/96) | 1388.06 (22/1/97) | 54.87 (9/10/74) |

### RATIOS

| | Mar 14 | Mar 7 | Feb 28 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.95 | 1.93 | 1.96 | 2.15 |
| | Mar 12 | Mar 5 | Feb 26 | Year ago |
| S & P Ind. Div. yield | 1.74 | 1.77 | 1.73 | 1.85 |
| S & P Ind. P/E ratio | 22.81 | 22.55 | 22.69 | 21.01 |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Micron | 12,154,200 | 45 | +3 |
| Seagate | 8,184,400 | 44⅛ | -2 |
| Appld Mag | 6,643,000 | 31½ | -1⅛ |
| Adv Micro | 6,501,400 | 44¾ | -3 |
| WalMart | 6,487,700 | 28⅝ | — |
| Hith Rst | 5,789,800 | 18⅝ | — |
| Phip Morris | 5,114,800 | 128 | +3 |
| Fannie Mae | 4,820,600 | 38⅝ | +⅛ |
| Compaq | 4,706,200 | 75⅝ | -3⅝ |
| Nat Austla | 4,676,500 | 25¼ | — |

### TRADING ACTIVITY

● Volume (million)

| | Mar 14 | Mar 13 | Mar 12 |
|---|---|---|---|
| New York SE | 464.323 | 503.737 | 483.125 |
| Amex | 16.536 | 19.833 | 19.236 |
| NASDAQ | 601.759 | 564.497 | 575.898 |
| NYSE | | | |
| Issues Traded | 3,328 | 3,334 | 3,343 |
| Rises | 1,417 | 518 | 942 |
| Falls | 1,052 | 2,074 | 1,576 |
| Unchanged | 859 | 742 | 825 |
| New Highs | 70 | 70 | 140 |
| New Lows | 41 | 40 | 34 |

### S&P 500

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 791.00 | 780.30 | -5.15 | 791.50 | 788.20 | 21,183 | 96,777 |
| Jun | 802.65 | 797.70 | -6.30 | 802.80 | 795.60 | 95,820 | 106,497 |

### Nikkei 225

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 17930.0 | 18060.0 | +290.0 | 18060.0 | 17810.0 | 26,984 | 235,554 |
| Sep | 17840.0 | 17890.0 | +50.0 | 17900.0 | 17840.0 | 36 | 2,701 |

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¶ Subject to official recalculation.

### TOKYO - MOST ACTIVE STOCKS: Monday, March 17, 1997

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Mitsubishi Hvy | 9.6m | 815 | +50 |
| Nomura Secs | 7.3m | 1340 | -40 |
| Fujitsu | 8.2m | 1210 | +10 |
| Fuji Kyuko | 4.8m | 526 | +21 |
| Bk Tk-Mitsubishi | 4.7m | 1970 | +10 |
| NEC Corp | 4.0m | 1400 | +10 |
| Fuji Hvy Inds | 3.5m | 600 | +11 |
| NKK Corp | 3.3m | 260 | -1 |
| Nippon Steel Cp | 3.3m | 328 | -1 |
| Mitsubishi Chem | 3.2m | 323 | |

★ FINANCIAL TIMES Tuesday March 18 1997

# Dow slides amid rate rise fears

AMERICAS

Stock prices took a tumble to the US amid growing concerns that the Federal Reserve open market committee might decide to push up interest rates at its meeting next week, *writes Richard Tomkins in New York.*

At 1 pm, the Dow Jones Industrial Average was 72.51 down at 6,862.95. The Standard & Poor's 500 index was down 9.53 at 783.64 and the Nasdaq Composite index followed its decline, losing 26.28 to 1,266.69. NYSE volume was 260m.

Yesterday's session marked the unveiling of the revised Dow Jones Industrial Average, featuring four new stocks in place of four poorly performing ones that have been pushed out. But the changes did nothing to prevent the index's decline: all four fell.

Hewlett-Packard was off $⅞ at $54½, Travelers shed $2⅞ at $50¼, Johnson & Johnson fell $⅞ at $56¾ and Wal-Mart Stores declined by $⅜ at $28⅞.

Share prices ware hit by worries that the Fed would push interest rates up to avert the threat of inflation, so squeezing corporate profits. Sentiment was also affected by a weekend message from Mr Warren Buffett, chairman and chief executive of Berkshire Hathaway, that investors were probably overpaying for virtually all stocks. Shares in Berkshire Hathaway were off $700 at $36,200.

Among the few big gainers was McDonald's, which rose $1⅛ after Mr Buffett revealed that Berkshire Hathaway had increased its holding in the fast-food company to 4.3 per cent.

ADT jumped $3⅝ on news that it had agreed to be bought by Tyco International for $4bn, but Tyco's shares fell $2⅞ to $57⅝.

Big losers included tobacco stocks, hit by the Supreme Court's decision not to overturn a law in Florida that makes it easier for the state to pursue anti-tobacco litigation. Philip Morris tumbled $5⅛ to $124 and RJR Nabisco fell $1½ to $32⅞.

Advanta plunged $9 to $31⅞ after a profit warning, taking other credit card companies with it.

TORONTO moved sharply lower too. Traders said that a certain amount of nervousness had begun to build ahead of tomorrow's US inflation data. At noon, the TSE-300 composite index was off 52.21 at 6,145.50.

Hit by profit-taking and interest rate worries, banks fell in moderate volume. Royal Bank of Canada came off C$1.05 to C$57.75 and Canadian Imperial Bank of Commerce lost 50 cents to C$66.75.

Alcan Aluminium gava up 25 cents to C$50.85 and Newbridge Networks retreated 75 cents to C$40.35.

# Dollar falls, bourses in further correction

EUROPE

Having rebounded with the Dow last Friday, bourses dropped with the dollar yesterday and lost more as US shares fell again. FRANKFURT shed 2 per cent, the Dax index closing 67.18 lower at an Ibis-indicated 3,337.11.

The dollar had come back from more than DM1.70 on Friday to under DM1.69 yesterday, noted Mr Eckhard Frahm at Merck Finck in Düsseldorf. Traders were also influenced by an article in Bild, the German newspaper, which quoted Mr Theo Waigel, the German finance minister, as saying that adherence to EMU convergence criteria was more important that the timetable for monetary union.

BMW fell DM58.80 to DM1,210.50, Adidas by DM8 to DM187.90 and Henkel prefs by another DM4.95, or 5.2 per cent, to DM89.90 after the household products company reported a 6 per cent rise in 1996 group net profits. All three had been unusually strong recently, said Mr Frahm. Henkel had gained nearly 20 per cent to DM99.95 in the eight trading days to March 6.

Turnover fell from DM18.4bn to DM10.8bn. The day's winners were led by mid-caps. Deutz leaping DM3.30, or 24.6 per cent, to DM16.70 on news of turnround from losses to profits at the engineering group.

PARIS slid away steeply at the end to close with the CAC 40 index at its session low off 57.24 at 2,588.38 in volume of 8.9m shares.

Interest rate sensitive sectors appeared to take the brunt of the decline. Banks were heavily marked down, and so was the leading construction stock, Bouygues.

BNP fell FFr11.80, or 4.6 per cent, to FFr244 and Société Générale gava up FFr24 at FFr646. AGF shed FFr7.50 to FFr200.50 for a two-day decline of almost 7 per cent. Bouygues lost FFr21 to FFr559.

The one bright spot was Michelin, ahead of today's results. Reports that Toyota Motor was planning a $1.6bn plant in France sent the shares up FFr3.60 to FFr339.6. But the prospect of ever tougher competition hit carmakers. Renault, which reports on Thursday, fell FFr4.50 to FFr135 and Peugeot FFr12 to FFr647.

AMSTERDAM reportad negative arbitrage in the options pits, said to have had a disproportionate downside impact on the cash market as the AEX index fell 12.66 to 753.40.

Heinaken and KLM both fell 3.4 per cent. KLM shed Fl 2 to Fl 56.90 while Heineken tumbled Fl 11.50 to Fl 326.50 in spite of an upgrade from Goldman Sachs in the wake of last week's solid results.

Weak chemicals sentiment in Germany continued to depress Akzo Nobel which came off Fl 7.50 to Fl 267.50. Nedlloyd, a strong market lately ahead of Thursday's results, ran into profit-taking, dipping Fl 1.50 to Fl 57.30.

ZURICH dropped 1.7 per cent prompted by the weak dollar and increases in domestic bond yields. The SMI index fell 79.7 to 4,556.5.

Among industrials, Sulzer, up SFr2 at SFr979, went against the trend on expectations of demerger announcements or senior management changes at today's annual news conference. ABB lost SFr34 to SFr1,735.

Novartis lost SFr19 at SFr1,739 ahead of results and its first annual news conference today. Roche certificates fell SFr236 to SFr12,190. Speciality chemicals experienced their first bout of profit-taking since last week's debut of Ciba SC shares. Ciba SC lost SFr5.25 to SFr120.25 and Clariant lost SFr8 to SFr722.

Banks were hard hit by higher domestic bond yields. UBS fell SFr29 to SFr1,307 and CS Group tumbled SFr4.75 to SFr163.50. Surveillance fell SFr150 at SFR3,280 as the inspection and testing group, which recorded a 14 per cent rise in 1996 profits, warned that the loss of two large contracts could hit this year's profits.

MILAN was depressed by the recurrenca of long-running worries over the European single currency and tensions within the governing coalition concerning plans for supplementary budget measures. The Comit index fell 5.55 to 738.79 while the real-time Mibtel index lost 262 to 11,693.

Among the telecoms, Stet fell L321 to L7,463 and Telecom Italia lost L222 to L4,172 as investors adjusted portfolios following Friday's announcement of the share exchange ratio to be used when the two are merged later this year.

Mediaset held its loss to L68 at L7,004 amid indications that the broadcast and advertising company was still interested in bidding for the third cellular phone licence in Italy.

MADRID featured a 3.6 per cent drop in Talafónica, Pta125 lower at Pta3,340 on worries that Spain would approve cheap connection charges for the country's second telecoms operator Retavision. The general index fell 8.27 to 478.93.

BRUSSELS saw another gain in Royale Belge, BFr210 higher at BFr9,200, although the Bel 20 index fell 21.93 to 2,170.95. The insurer, up 41 per cent this year, continued its climb after a bonus dividend with last Thursday's results and on rumours that a merger operation with AXA Belgium was afoot.

STOCKHOLM gained a minor return on its banking sector speculation as the holding company, Lundberg, sold its controlling stake in Ostgota Enskilda to Den Danske Bank. Lundberg B rose SKr4 to SKr133 and Ostgota by SKr23.60, or 87.7 per cent, to SKr50.50, the bid price, as the general index fell 28.65 to 2,735.75. COPENHAGEN was not so pleased with Den Danske, marking it down DKr9 to DKr601 with the KFX index 0.79 lower at 159.13.

ISTANBUL rebounded 5.8 per cent as political worries receded and the market found encouragement in the outcome of a weekend meeting after which EU foreign ministers reassured Turkey over its membership aspirations. The IMKB National-100 index rose 87 to 1,586.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

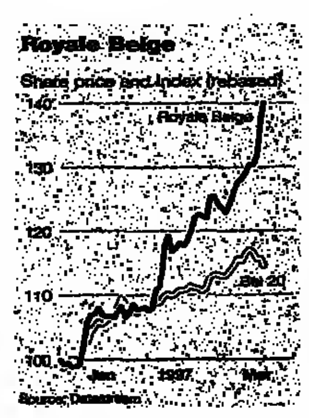
**FTSE Actuaries Share Indices**

| Mar 17 | | | | | | | THE EUROPEAN SERIES | |
|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FTSE Eurotrack 100 | 2177.99 | 2178.64 | 2176.27 | 2174.63 | 2172.96 | 2171.35 | 2164.98 | 2164.22 |
| FTSE Eurotrack 200 | 2203.16 | 2202.04 | 2202.63 | 2199.42 | 2199.77 | 2199.02 | 2192.91 | 2198.22 |

| | Mar 14 | Mar 13 | Mar 12 | Mar 11 | Mar 10 |
|---|---|---|---|---|---|
| FTSE Eurotrack 100 | 2174.00 | 2183.53 | 2204.47 | 2231.93 | 2219.55 |
| FTSE Eurotrack 200 | 2206.37 | 2212.55 | 2230.25 | 2257.03 | 2243.24 |

Base value 1000 (29/10/90): Highday: 100 - 2178.61, 200 - 2203.83 Lowday: 100 - 2164.22 200 - 2192.75 1 Partial.






# Seoul rebounds ahead of economic package

ASIA PACIFIC

Growing expectations for the government's economic package, due to be announced on Thursday, sent SEOUL 2.7 per cent higher. Analysts said that the package was expected to include measures to stabilise rising interest rates and the weak domestic currency, as well as to raise the foreign stock ownership ceiling, which would provida fresh impetus for blue chips.

The composite index, weak last week, jumped 17.07 to 658.90.

Samsung Electronics rose Won2,000 to Won55,000 and Posco gained Won2,300 to Won43,000.

TOKYO's brokers continued to suffer in the wake of the sokaiya scandal, but late bargain hunting helped the Nikkei average regain the 18,000 level, *writes Jonathan Annells.*

The 225 index rose 129.86 to 18,053.50 after moving between 17,863.85 and 18,084.05. The 18,000 mark was breached early as the dollar climbed back into the Y123 range, prompting foreign buying of blue-chip exporters.

However, with selling to book profits for the 31 March book-closing completed by most domestic investors, activity was generally slow, and brokers said trade was likely to be similarly slack for the rest of the month. Volume more than halved to an estimated 360m shares from 761m on Friday when tha special quotation settlement of futures boosted activity.

Advances led declines by 644 to 449 with 161 unchanged. The Topix index of all first-section stocks rose 5.21 to 1,358.75 and the capital-weighted Nikkei 300 by 0.63 to 259.95. In London, the ISE/Nikkei 50 index climbed 3.09 to 1,410.49.

The broking sector reflectad the scandal at Nomura Securities, falling by an aggregate 1.6 per cent in a rising market. Nomura plumbed a new 15-month low following weekend press analysis. This indicated that its share of all TSE stock transactions had dropped from 13.1 per cent on March 6, immediately before the latest blow to its reputation, to 8.3 per cent for the period between 7 March and 14 March.

Nomura was tha second most actively traded stock and closed down Y40 at Y1,340. Daiwa Securities, which last week was the subject of rumours concerning the reasons behind "routine" checks by the Securities and Exchange Surveillance Commission, rebounded from a low of Y873 to end Y32 weaker at Y877.

Mitsubishi Heavy Industries was the volume leader, jumping Y50 to Y815 in 9.6m shares after a Nomura Research Institute report suggested that the company was an attractive long-term buy.

Retail stocks performed well lifted by last Thursday's GDP figures which showed that private consumption expanded by 2 per cent in the October to December quarter.

Supermarket operator Ito-Yokado jumped Y130 to Y5,380, and the convenience store chain Seven-Eleven Japan rose Y40 to Y7,190.

In Osaka, the OSE average added 106.79 to 18,982.72 in voluma of 207.4m shares.

TAIPEI chalked up its sixth consecutive six-year high, the weighted index advancing 135.11 points, or 1.6 per cent, to close at its intraday high of 8,426.42 in turnover of T$176.9bn.

Blue chip electronics jumped 3 per cent while the plastics sector registered a 2.3 per cent gain.

Some brokers had expected the index to consolidate at 8,400 after a 23.5 per cent gain in 1997, questioning whether its long rise reflected fundamental value. "This is nothing but a liquidity-driven rally," said one. "Money is abundant and people are always looking for their next target."

HONG KONG was swept higher by a rebound in the property sector after the market's 4.5 per cent losses last week.

The Hang Seng indax gained 102.00 to 12,838.53, but in turnover that fell to HK$9.1bn.

In the property sector, Henderson Land, due to release interim results tomorrow, rose HK$1.50 to HK$64.50, and Sun Hung Kai Properties, which releases interim results on Thursday, gained 75 cents to HK$84.25.

Cheung Kong rose HK$1.50 to HK$70.50 on news that it was to raise the prices at its Laguna Verde residential development.

BOMBAY saw sharp gains in blue chips although, analysts noted, the upbeat mood showed no sign of percolating to the broader market.

The BSE-30 index, down 3.4 per cent last week, ended with a gain of 52.81 or 1.4 per cent at 3,798.12, as the Indian finance minister told the central bank that interest rates should be reduced to support economic growth.

SHENZHEN's hard currency B shares jumped 3 per cent as investors focused on issues expected to report solid 1996 results and concerns eased about a possible crackdown on speculation by the authorities in Beijing.

The B index gained 4.91 to 169.99 while the A index of shares targeted at domestic investors rose 7.51 to 423.68.

SHANGHAI also put in a solid performance with the A index up 34.904, or 3 per cent, at 1,213.753 and B shares 0.459 higher at 70.898.

DHAKA was marked lower for a fourth straight session as profit-taking continued to erode gains made during the previous week after news that commercial banks were to double credit available to investors.

The all-share index lost 46.75, or 3.2 per cent, to 1,423.47, adding to a 1.7 per cent fall on Saturday and a 1.9 per cent decline on Sunday.

# Latam markets tipped

Dollar returns of about 20 per cent were expected in emerging equity markets in 1997, with Latin America likely to offer the best regional return in the near future, according to a report from Robert Fleming in London. The bull case for emerging markets was highly potent, its global emerging markets research team said, adding that the temptation to put money made in booming developed markets into emerging markets had proved difficult to resist this year. The asset diversification should continue on anything other than a crash scenario, it added.

SAO PAULO gave up 1.7 per cent as the market looked to Wall Street for direction in the absence of domestic market moving news. At midsession, the Bovespa index was 157 down at 9,342.

MEXICO CITY drifted down on profit-taking that left the IPC index 28.76 weaker by midsession at 3,746.95.

**MARKETS IN PERSPECTIVE**

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1996 | Start of 1996 | Start of 1996 |
| Austria | -0.15 | +2.40 | +18.80 | +26.68 | +3.44 | +6.67 |
| Belgium | -0.15 | +4.50 | +32.09 | +35.92 | +10.66 | +14.11 |
| Denmark | +0.55 | +1.63 | +44.19 | +51.02 | +25.14 | +29.05 |
| Finland | -1.14 | +3.10 | +56.51 | +65.63 | +37.42 | +41.71 |
| France | -2.17 | +0.84 | +34.23 | +44.51 | +19.54 | +23.27 |
| Germany | -0.42 | +3.44 | +36.57 | +45.23 | +18.62 | +22.33 |
| Ireland | -0.15 | -0.33 | +31.31 | +34.36 | +27.07 | +31.04 |
| Italy | -2.54 | -4.84 | +26.33 | +24.28 | +12.93 | +16.46 |
| Netherlands | -0.34 | +4.37 | +45.37 | +54.53 | +25.64 | +29.56 |
| Norway | +0.71 | +1.66 | +39.26 | +45.85 | +30.43 | +34.50 |
| Spain | +1.10 | +1.30 | +51.87 | +56.08 | +27.13 | +31.10 |
| Sweden | -0.32 | +6.08 | +48.05 | +63.07 | +35.03 | +39.25 |
| Switzerland | +0.30 | +3.56 | +28.77 | +38.69 | +5.89 | +9.19 |
| UK | +0.04 | +1.85 | +18.68 | +19.15 | +19.15 | +22.87 |
| *EUROPE* | -0.40 | +2.22 | +29.85 | +35.00 | +18.94 | +22.66 |
| Australia | -0.56 | -2.50 | +10.49 | +9.34 | +13.68 | +17.23 |
| Hong Kong | -4.80 | -3.81 | +13.05 | +19.81 | +15.79 | +19.41 |
| Japan | -0.56 | -2.51 | -10.87 | -13.55 | -29.92 | -27.73 |
| Malaysia | -0.58 | -1.31 | +15.97 | +28.40 | +27.63 | +31.62 |
| New Zealand | -3.54 | -5.56 | +2.85 | -0.66 | +2.60 | +6.00 |
| Singapore | -4.37 | -9.66 | -5.27 | -0.37 | -4.72 | -1.74 |
| Canada | -1.33 | -0.65 | +27.16 | +34.28 | +30.23 | +34.29 |
| USA | -1.51 | -1.97 | +23.07 | +29.25 | +24.36 | +28.25 |
| Mexico | -1.46 | -2.07 | +29.20 | +33.46 | +25.01 | +28.91 |
| South Africa | +0.60 | +0.92 | +5.79 | +14.14 | -9.20 | -6.36 |
| WORLD INDEX | -1.08 | -0.93 | +17.02 | +19.93 | +9.30 | +12.71 |

† Based on March 14th 1997.



# South Africa ends mixed

A mixed session in Johannesburg, dominated by hectic early trading ahead of the noon expiry for the equity future, saw industrials improve, but golds slide lower. The all-share index ended 3.9 higher at 7,131.0. At the close, the industrial index was up 53.4 to 8,380.6, while golds ended off 20.9 at 1,387.8.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

| NATIONAL AND REGIONAL MARKETS | FRIDAY MARCH 14 1997 | | | | | | | | THURSDAY MARCH 13 1997 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (78) | 222.77 | -0.6 | 206.29 | 173.75 | 196.51 | 185.78 | -1.2 | 4.09 | 224.13 | 208.05 | 173.98 | 196.23 | 188.10 | 225.77 | 188.44 | 185.87 |
| Austria (24) | 185.17 | 0.0 | 172.40 | 145.20 | 184.47 | 164.42 | -0.1 | 1.77 | 186.23 | 172.86 | 144.55 | 184.70 | 184.64 | 195.04 | 174.70 | 181.18 |
| Belgium (26) | 238.85 | -0.1 | 221.01 | 185.14 | 210.85 | 206.31 | -0.2 | 3.32 | 238.80 | 221.87 | 185.37 | 211.21 | 206.68 | 241.54 | 203.64 | 209.45 |
| Brazil (28) | 244.52 | 1.5 | 226.43 | 190.71 | 216.02 | 474.83 | 1.5 | 1.19 | 240.67 | 223.40 | 186.82 | 212.86 | 467.55 | 247.23 | 149.69 | 150.70 |
| Canada (114) | 199.34 | 0.5 | 184.60 | 155.48 | 176.11 | 196.86 | 0.7 | 1.87 | 198.17 | 183.95 | 153.83 | 175.27 | 195.57 | 203.31 | 154.12 | 156.25 |
| Denmark (32) | 372.65 | 0.7 | 345.08 | 290.64 | 329.22 | 328.72 | 0.6 | 1.44 | 370.08 | 343.53 | 287.27 | 327.31 | 326.73 | 376.98 | 291.30 | 294.80 |
| Finland (28) | 265.09 | 0.6 | 245.48 | 206.75 | 234.19 | 282.37 | 0.5 | 1.51 | 263.54 | 244.63 | 204.57 | 233.08 | 280.62 | 268.58 | 174.47 | 186.53 |
| France (91) | 221.15 | 0.4 | 204.79 | 172.48 | 195.37 | 198.89 | 0.4 | 2.60 | 220.18 | 204.38 | 170.91 | 194.73 | 198.02 | 225.82 | 185.83 | 167.36 |
| Germany (58) | 200.24 | 0.5 | 185.43 | 156.15 | 176.90 | 176.80 | 0.3 | 1.49 | 199.34 | 185.04 | 154.73 | 176.30 | 176.30 | 205.33 | 164.47 | 169.39 |
| Hong Kong (59) | 462.95 | -1.4 | 428.70 | 361.07 | 408.99 | 460.36 | -1.4 | 3.35 | 469.48 | 435.80 | 364.43 | 415.23 | 466.76 | 514.49 | 407.55 | 410.22 |
| Indonesia (27) | 232.62 | -0.8 | 215.41 | 181.42 | 205.50 | 342.77 | -0.7 | 1.55 | 234.62 | 217.79 | 182.12 | 207.51 | 345.29 | – | – | – |
| Ireland (16) | 334.83 | -0.3 | 310.06 | 261.14 | 295.80 | 301.80 | -0.6 | 3.14 | 335.88 | 311.78 | 260.72 | 297.06 | 303.56 | 343.35 | 256.50 | 256.50 |
| Italy (59) | 85.83 | 0.8 | 79.48 | 66.95 | 75.83 | 108.53 | 0.8 | 2.05 | 85.17 | 79.06 | 66.11 | 75.32 | 107.70 | 96.32 | 70.51 | 73.39 |
| Japan (480) | 111.97 | -0.2 | 103.68 | 87.33 | 98.92 | 87.33 | 0.3 | 0.90 | 112.16 | 104.11 | 87.06 | 99.20 | 87.06 | 164.68 | 109.16 | 146.83 |
| Malaysia (107) | 638.53 | -0.7 | 591.29 | 498.01 | 564.10 | 609.14 | -0.7 | 1.06 | 643.09 | 596.95 | 499.19 | 568.77 | 613.25 | 660.85 | 512.47 | 537.53 |
| Mexico (27) | 1335.22 | 0.7 | 1236.44 | 1041.38 | 1179.59 | 11645.29 | 0.5 | 1.13 | 1326.16 | 1231.00 | 1029.41 | 1172.90 | 11592.39 | 1445.68 | 1086.22 | 1090.80 |
| Netherland (19) | 353.34 | 0.9 | 327.20 | 275.58 | 312.15 | 308.35 | 0.8 | 2.51 | 350.17 | 325.06 | 271.62 | 309.70 | 305.89 | 357.18 | 279.88 | 282.24 |
| New Zealand (14) | 84.44 | -1.4 | 78.20 | 65.86 | 74.60 | 64.26 | -1.2 | 4.43 | 85.83 | 79.48 | 66.47 | 75.73 | 65.03 | 95.80 | 75.84 | 81.20 |
| Norway (41) | 311.06 | 0.2 | 288.06 | 242.62 | 274.82 | 289.28 | 0.4 | 2.12 | 310.47 | 288.20 | 241.00 | 274.59 | 288.10 | 321.23 | 236.19 | 238.89 |
| Philippines (22) | 187.00 | -0.8 | 182.43 | 153.95 | 174.04 | 258.52 | -0.5 | 0.67 | 186.63 | 184.36 | 154.18 | 175.68 | 260.57 | – | – | – |
| Singapore (43) | 400.13 | -1.6 | 370.53 | 312.07 | 353.45 | 264.47 | -1.8 | 1.05 | 407.47 | 378.23 | 316.29 | 360.38 | 269.33 | 449.15 | 371.28 | 423.02 |
| South Africa (44) | 360.82 | -1.9 | 334.12 | 281.41 | 318.76 | 350.43 | -1.0 | 2.39 | 368.00 | 341.60 | 285.65 | 325.47 | 353.95 | 390.34 | 301.49 | 383.89 |
| Spain (35) | 216.57 | -0.1 | 200.55 | 168.91 | 191.33 | 236.97 | 0.0 | 2.69 | 216.72 | 201.17 | 168.22 | 181.67 | 237.02 | 228.18 | 164.81 | 166.62 |
| Sweden (49) | 434.59 | -1.0 | 402.43 | 338.85 | 383.93 | 499.31 | 0.2 | 2.09 | 438.79 | 407.30 | 340.90 | 388.08 | 498.28 | 448.64 | 334.04 | 336.09 |
| Switzerland (38) | 257.68 | 0.3 | 238.62 | 200.87 | 227.65 | 233.48 | 0.5 | 1.27 | 256.51 | 238.38 | 199.34 | 227.13 | 232.35 | 257.88 | 229.38 | 246.50 |
| Thailand (45) | 79.08 | -4.1 | 73.23 | 61.68 | 69.86 | 79.68 | -4.0 | 4.06 | 82.46 | 76.55 | 64.01 | 72.93 | 83.02 | 167.79 | 73.96 | 173.04 |
| United Kingdom (212) | 283.27 | 0.7 | 262.31 | 220.63 | 250.25 | 282.31 | 0.5 | 3.74 | 281.23 | 261.05 | 218.30 | 248.73 | 281.05 | 285.30 | 225.08 | 227.26 |
| USA (654) | 322.22 | 0.4 | 298.38 | 251.31 | 284.66 | 322.22 | 0.4 | 1.67 | 320.97 | 297.94 | 249.15 | 283.89 | 320.67 | 331.54 | 254.79 | 261.51 |
| Americas (823) | 295.24 | 0.4 | 273.40 | 230.27 | 260.83 | 248.45 | 0.4 | 1.85 | 294.02 | 272.92 | 228.23 | 260.04 | 247.42 | 303.45 | 233.09 | 238.80 |
| Europe (727) | 246.38 | 0.5 | 228.15 | 192.17 | 217.67 | 226.36 | 0.4 | 2.66 | 245.21 | 227.62 | 190.34 | 216.67 | 228.35 | 248.97 | 203.01 | 204.21 |
| Nordic (150) | 378.69 | -0.3 | 350.68 | 295.35 | 334.55 | 372.32 | 0.3 | 1.92 | 380.04 | 352.77 | 295.00 | 336.12 | 371.02 | 385.85 | 286.64 | 289.99 |
| Pacific Basin (873) | 132.77 | -0.4 | 122.94 | 103.55 | 117.29 | 102.22 | -0.1 | 1.42 | 133.33 | 123.77 | 103.50 | 117.92 | 102.34 | 177.01 | 131.50 | 159.77 |
| Euro-Pacific (1600) | 180.12 | 0.1 | 166.80 | 140.48 | 159.13 | 150.15 | 0.2 | 2.13 | 179.96 | 167.04 | 139.69 | 159.16 | 149.88 | 191.51 | 176.79 | 178.19 |
| North America (768) | 314.80 | 0.4 | 291.52 | 245.53 | 278.11 | 313.97 | 0.4 | 1.67 | 313.55 | 291.05 | 243.39 | 277.31 | 312.71 | 323.69 | 248.65 | 255.27 |
| Europe Ex. UK (515) | 221.09 | 0.3 | 204.74 | 172.44 | 195.32 | 206.74 | 0.4 | 2.06 | 220.34 | 204.53 | 171.04 | 194.88 | 205.88 | 223.97 | 185.65 | 186.60 |
| Pacific Ex. Japan (393) | 305.72 | -1.1 | 283.10 | 238.44 | 270.08 | 263.48 | -1.2 | 2.82 | 309.09 | 286.91 | 239.93 | 273.37 | 266.77 | 320.95 | 268.97 | 279.22 |
| World Ex. US (1813) | 184.08 | 0.1 | 170.44 | 143.55 | 162.60 | 156.42 | 0.2 | 2.11 | 183.88 | 170.69 | 142.73 | 162.63 | 156.08 | 193.47 | 179.10 | 179.57 |
| World Ex. UK (2255) | 222.86 | 0.2 | 206.37 | 173.82 | 196.88 | 198.25 | 0.3 | 1.80 | 222.48 | 206.50 | 172.68 | 196.75 | 197.70 | 228.59 | 199.58 | 202.78 |
| World Ex. Japan (1987) | 287.10 | 0.3 | 265.86 | 223.92 | 253.64 | 277.51 | 0.3 | 2.15 | 286.22 | 265.68 | 222.17 | 253.14 | 276.69 | 292.72 | 233.10 | 238.91 |
| The World Index (2467) | 228.01 | 0.2 | 211.14 | 177.63 | 201.43 | 204.02 | 0.3 | 1.99 | 227.47 | 211.15 | 179.57 | 201.15 | 203.41 | 233.38 | 202.32 | 204.98 |


Latest prices were unavailable for this edition.

4 pm close March 17

# NYSE PRICES

| 1996/97 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| Continued from previous page | | | | | | | | | | |
| 20⅞ | 12 | SchBA ♣ | 0.06 | 0.8 | 64 | 2867 | 17¾ | 17⅛ | 17⅜ | -½ |
| 29⅞ | 17 | Scotsmn | 0.10 | 0.3 | 16 | 161 | 29 | 28⅞ | 29 | -⅛ |
| 18⅞ | 12½ | ScuddrNAsF x | 0.60 | 0.2 | | 190 | 13½ | 13¼ | 13⅜ | -⅛ |
| 15⅞ | 11 | ScuddrNEsF | 0.06 | 0.4 | | 164 | 14⅞ | 14¾ | 14⅞ | |
| 20¼ | 14¾ | SeaCnt ♣ | 0.77 | 4.5 | 14 | 102 | 17¾ | 17¼ | 17¼ | |
| 16⅞ | 15 | SeaC1.4625 x | 1.46 | 9.5 | | 16 | 15½ | 15⅜ | 15⅜ | -¼ |
| 56¼ | 18 | S'gate | | | 37 | 25408 | 44⅞ | 43⅛ | 44⅛ | |
| 42¾ | 30⅞ | Seagrm x | 0.66 | 1.7 | | 2925 | 39½ | 38½ | 39½ | +½ |
| 26 | 17⅛ | Seagull En | | | 31 | 2584 | 18⅞ | 18⅜ | 18⅝ | -⅛ |
| 44⅛ | 28 | Sealed Air | | | 25 | 472 | 42 | 41¼ | 42 | -⅛ |
| 58⅞ | 38¼ | SearsR x | 0.92 | 1.7 | 17 | x2929 | 54¾ | 53⅞ | 54¼ | -½ |
| 26 | 17 | SeCp63⅜ | 1.30 | 5.3 | 16 | 250 | 24½ | 24¼ | 24½ | |
| 13 | 11⅞ | Seligm Sel x | 0.84 | 6.6 | | 66 | 12¾ | 12⅝ | 12⅝ | +⅛ |
| 23¾ | 13⅝ | Sensormat | 0.22 | 1.3 | | 1475 | 17¼ | 16⅝ | 16⅞ | -¼ |
| 46⅞ | 29½ | SequaA | 0.80 | 1.3 | 49 | 124 | 46¾ | 46½ | 46⅝ | -⅛ |
| 55⅝ | 39 | SequaB | 0.50 | 1.1 | 50 | z0 | 47½ | 47½ | 47½ | |
| 33⅞ | 19½ | ServCp | 0.80 | 0.9 | 29 | 8547 | 33½ | 32¾ | 32⅞ | -⅛ |
| 26⅞ | 19½ | SvMstr | 0.68 | 2.6 | 15 | 281 | 26⅝ | 26¼ | 26⅝ | -¼ |
| 6½ | 3½ | SenMerch | | | 8 | 501 | 3⅝ | d3½ | 3⅝ | -⅛ |
| 80⅞ | 28½ | SGSThm | | | 15 | 888 | 71⅛ | 69⅞ | 70¼ | -1⅞ |
| 15⅝ | 10⅝ | Shaw Ind | 0.30 | 2.2 | 75 | 2215 | 13⅞ | 13½ | 13⅝ | -¼ |
| 17 | 10⅛ | Shelby Wl | 0.32 | 2.2 | 16 | 16 | 14¾ | 14½ | 14⅛ | -⅛ |
| 107½ | 76⅝ | ShellTr | 4.64 | 4.5 | 32 | 221 | 103⅞ | 102⅞ | 103⅝ | -¼ |
| 59¼ | 39 | SherWil ♣ x | 0.80 | 1.4 | 21 | 818 | 58¼ | 55¼ | 58¾ | +1⅛ |

- X - Y - Z -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 11⅞ | 10½ | ZweigFd ♣ | 1.12 | 10.0 | | 572 | 11¼ | 11⅛ | 11¼ | |
| 9 | 8 | Zweig Tot x | 0.84 | 9.9 | | 439 | 6⅝ | 8½ | 8½ | |

*Price data supplied by Extel, part of FT Information.*

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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# AMEX PRICES

4 pm close March 17

# NASDAQ NATIONAL MARKET

4 pm close March 17

| Stock | Div. | E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Ladd Furn | | | 21 | 15½ | 15⅛ | 15⅛ | -⅛ |
| Lancaster | 0.72 | 16 | 554 | 46¼ | 45 | 46¼ | +⅞ |
| Lance ♣ | 0.96 | 21 | 116 | 18⅜ | 17⅞ | 18 | -⅜ |
| Xilinx ♣ | | | 272883 | 47⅞ | 44⅞ | 45¾ | -⅞ |
| Xircom | | 28 | 2053 | 16⅝ | 15½ | 15⅞ | -⅜ |
| Yellow | | | 1369 | 17⅛ | 16¼ | 17 | +¾ |
| York Rsch | | 18 | 352 | 9 | 8¾ | 9 | |
| ZionsUtah | 1.76 | 17 | 345 | 123⅝ | 121½ | 123 | -⅝ |

# EASDAQ

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| Company | Mid price | Change on day | Volume | High | Low | Company | Mid price | Change on day | Volume | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ActivCard | US$8.125 | | 750 | 8.25 | 8 | Innogenetics | US$12.375 | | 89177 | 12.825 | 10.5 |
| Arorak Systems | US$10.875 | | 57620 | 11.375 | 10.25 | Mercer Internl | US$8.875 | | 0 | 11.375 | 8.875 |
| Dr Solomon's ADS | US$25.125 | | 0 | 26 | 22.75 | PixTech | US$5 | | 0 | 6.25 | 4.75 |
| Esprit Telecom ADS | US$12.25 | | 0 | 12.5 | 12 | | | | | | |

Prices for 17/3/97

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